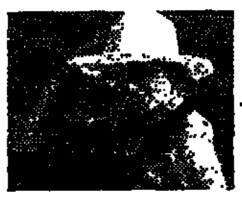
A journey along western Europe's linguistic fault line Page I

Formula One sees trouble in the driving mirror Page XI



Could it be sunset for the bronze age? Page IX

The longest day Battle royal over the ERM Page 2

FINANCIAL TIMES

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Europe's Business Newspaper WEEKEND JULY 31/AUGUST 1 1993 D8523A

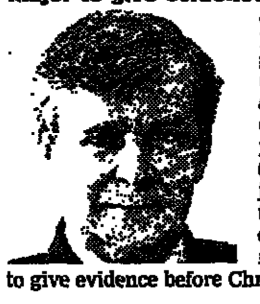
Envoys achieve breakthrough in Bosnia talks

International mediators yesterday achieved a breakthrough when Bosnia's president Alija Izetbegovic caved in to pressure and approved the division of Bosnia into three republics as part of a settlement to end the sixteen-month war.

The agreement between Mr Izetbegovic and his Serb and Croat adversaries appeared to favour a Serb and Croat plan to form their own ethnic mini-states. Page 24

Littlechild urges reforms: The UK electricity industry regulator, Professor Stephen Littlechild, is to decide this year on whether to refer the UK's two main generators to the Monopolies and Mergers Commission, casting doubt on ministers' plans to raise £5.5bn from privatisation sales in 1994-95. He called for wide reform in the power trading market. Page 24; Lex, Page 24; Page 7

Major to give evidence to arms inquiry:



John Major, the UK prime minister, is to give evidence in public to the inquiry into arms exports to Iraq on January 17 next year. Sir Richard Scott, (left) the Appeal Court judge presiding over the inquiry, named current and former ministers he wants to give evidence before Christmas. Page 6

Bentley given limited pardon: Derek Bentley, hanged 40 years ago for murdering a policeman, has been granted a posthumous pardon limited to sentence. UK home secretary Michael Howard said he believed a free pardon remained inappropriate. Bentley's accomplice, who fired the shots that killed the policeman, was too young to be executed.

US budget to face final vote: US President Bill Clinton's budget will face a final vote in Congress next week after negotiators from the House of Representatives and the Senate wrapped up a compromise bill. Page 4; Man in the News, Page 8

Israel ignores truce offer: Israel ignored a truce offer from pro-Iranian Hizbollah guerrillas and vowed to keep up its aerial and artillery bombardment of villages in southern Lebanon. Meanwhile the US continued its efforts to arrange a ceasefire after six days of bombing. Page 4; A blow for compromise and conciliation, Page 9

Barclays to amend forms: Barclays, Britain's biggest bank, is to amend its customer application forms after banks were told they must allow a choice of whether personal account details can be used by their sales subsidiaries to market products. Page 5

UN orders Somalia torture inquiry: The United Nations ordered an immediate inquiry into charges by Africa Rights, a London-based rights organisation, that UN troops in Somalia killed and tortured civilians. Page 4

The Body Shop wins damages: The Body Shop, the toiletries and cosmetics group, was awarded £274,000 High Court libel damages over a programme in the Channel Four Dispatches series which questioned its commitment to animal welfare. The company's founders Gordon Roddick, chairman, and Anita Roddick, managing director, were awarded £1,000 each. Channel 4 and programme makers Fulcrum Productions denied libel.

Microsoft shares fall sharply: Shares of Microsoft, the world's largest computer software company, dropped sharply as analysts cut their estimates for fiscal 1994 earnings. Page 12; World stocks, Page 21

Chemicals company fined: West Yorkshire chemicals company Hickson and Welch was fined £250,000 and ordered to pay £150,000 costs after a fire at its plant killed five workers.

LDP picks leader: Japan's Liberal Democratic party has chosen a relatively young, self-proclaimed reformer, Yohei Kono, as its president. Page 4

Bridgestone, the Japanese tyre maker which owns Firestone of the US, dashed hopes of growth this year, cutting Y9bn ($85m) from its forecast for worldwide net profits and saying it expected sales to fall Y100bn short of original expectations. Page 12

■ STOCK MARKET INDICES		
FT-SE 100:	2926.5	(+8.9)
Yield	3.92	
FT-SE Eurotrack 100	1253.91	(+11.49)
FT-A All-Share	1448.76	(+0.5%)
Nikkei	20,380.14	(-76.71)
New York: lunchtime		
Dow Jones Ind Ave	3536.86	(-30.46)
S&P Composite	447.30	(-2.94)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	3.085%	
Long Bond	107 1/16	
Yield	6.577%	
■ LONDON MONEY		
3-mo Interbank	5 7/8%	(6%)
Liffe long gilt future:	Sep 109 1/2	(Sep 109)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$16.78	(17.0)
■ Gold		
New York Comex (Aug)	$407.0	(397.8)
London	$405.75	(394.1)

■ STERLING		
New York lunchtime:		
$	1.48585	
London:		
$	1.485	(1.4865)
DM	2.585	(2.5775)
FFr	8.84	(8.8075)
SFr	2.28	(2.265)
Y	155.75	(157.75)
£ Index	81.5	(81.6)
■ DOLLAR		
New York lunchtime:		
DM	1.7405	
FFr	5.9675	
SFr	1.5227	
Y	104.93	
London:		
DM	1.7405	(1.7345)
FFr	5.9525	(5.925)
SFr	1.5225	(1.5245)
Y	104.95	(106.2)
$ Index	66.2	(66.3)
Tokyo close Y 105.8		

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Future of ERM in balance

Intervention fails to prevent heavy sales of weak currencies

By Peter Marsh and James Blitz in London, Lionel Barber in Brussels and John Ridding in Paris

THE BATTLE of wills between currency investors and European governments was unresolved last night after unprecedented intervention by central banks failed to prevent further heavy selling of weak currencies.

After the Bundesbank and other European central banks spent an estimated DM50bn to DM70bn (£19bn-£27bn) buying the French and Belgian francs and Danish krone, all three currencies ended European trading on or close to their floors in the exchange rate mechanism. By comparison, an estimated £15bn was spent to support sterling last September 16, the day it was forced out of the ERM.

International investors including pension funds, big companies and hedge-fund speculators stepped up their selling of weak ERM currencies, believing that the strains would soon force either a broad ERM re-alignment or a suspension of the rules keeping the system in place.

The second day in succession of hectic currency trading also forced a weakening in the Spanish peseta and Portuguese escudo, two of the ERM's ailing currencies.

It largely obscured an effort by French government officials to persuade the Bundesbank to make a more substantial cut in interest rates after its largely technical move on Thursday.

The French authorities are believed to be trying to force the Bonn government to choose between calling for a politically sensitive devaluation of the franc, or to exert discreet pressure on the Bundesbank to lower short-term rates. "It is a trial of strength," said one European monetary official.

In Germany, Mr Johann Wilhelm Gaddum, a Bundesbank council member, appeared to hold out the possibility of an escape route to the turmoil by saying the central bank would not stand in the way if money market interest rates threatened to fall below the central bank's 6.75 per cent discount rate.

That was interpreted as a softening in the Bundesbank's approach. Action by the central bank on Thursday in keeping its discount rate unchanged while cutting its less important Lombard rate half a percentage point triggered the two days of tumult.

The intense discussions yesterday between central bankers and finance ministry officials across Europe are likely to continue this weekend in a bid to resolve the crisis.

Mr Edouard Balladur, the French prime minister who is seeking to keep the existing franc/D-Mark parity, reacted coolly to the day of high drama, saying the ERM rules "were working well." He added later: "France will not allow anything to be imposed upon it."

But in spite of these comments, for much of yesterday's trading, the French and Belgian francs and the krone were at their floors against the D-Mark, in spite of huge intervention from the central banks.

When official ERM trading closed at 4pm in London, after which central banks are not obliged to intervene, the French franc and krone drifted well below their permitted levels.

After 4pm, the franc fell as low as FFr3.433 to the D-Mark, about a ¼ of a centime below its permitted floor at FFr3.4305. It later recovered to close in London at FFr3.42, a fall of 0.3 centimes on the day. The krone was last night quoted at DKr3.9025 to the D-Mark, weaker than the permitted level of DKr3.9016.

France's refusal to allow a devaluation of the franc appears part of a wider strategy aimed at pressing the Bundesbank to cut interest rates, according to European monetary officials.

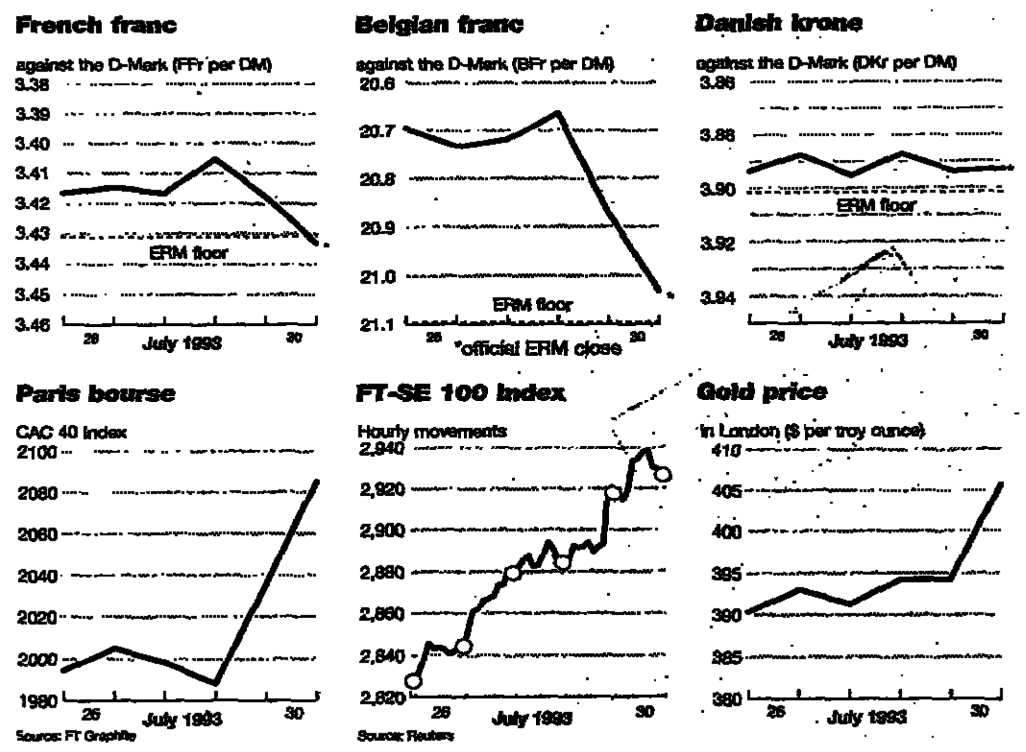
They said Paris had made clear it had no intention of calling for a general ERM realignment. Instead, it wished to put the onus on the German central bank to prop up the franc through intervention.

Continued on Page 24

THE ERM CRISIS

Pages 2 and 3

An ill wind for weak currencies blows fair for equities and gold



Day of turmoil on Europe's financial markets

07.00: Trading starts in London with intervention by the central banks of Belgium and Spain in support of their currencies. French franc hovers above FFr3.4180 to the D-Mark, the level that the Bank of France has regularly supported. (All times are BST in London.)

9.00: Belgium raises official interest rates by a full percentage point to defend the Belgian franc.

10.00: French franc falls to FFr3.42 to the D-Mark and quickly moves below its exchange rate mechanism floor of FFr3.4305. The Bank of France and Bundesbank launch massive intervention, buying the franc at the ERM floor.

10.15: Danish krone and Belgian franc fall to their ERM floors against the D-Mark.

10.50: Johann Wilhelm Gaddum, a Bundesbank council member, says German call money could fall below the discount rate. Analysts believe this statement could relieve tensions in the system.

11.00: George Soros, one of the leading currency speculators, announces he is ready to sell the French franc, in contrast to statements earlier this week.

12.25: Bank of Portugal intervenes heavily to support the escudo.

13.44: Edouard Balladur, French prime minister, says the ERM is working well but that the continued success of the system depends on the goodwill of everybody.

14.30: Bundesbank spokesman denies a council meeting is being held.

16.00: Official ERM trading closes and central bank intervention is reduced. The French franc drifts well below its ERM floor to a low of FFr3.4330 to the D-Mark but later rises to close at FFr3.42 in London.

16.30: Unconfirmed reports say EC officials are discussing technical methods by which they can preserve the ERM.

Major stands firm on plans for fuel VAT

By Philip Stephens and Alison Smith

MR JOHN MAJOR yesterday ruled out a retreat from the government's plans to impose value added tax on domestic fuel in the wake of the Conservative party's humiliating defeat in the Christchurch by-election.

As Mr Paddy Ashdown's Liberal Democrats celebrated their biggest post-war victory over the Conservatives, senior ministers acknowledged the controversial tax had played a large part in the loss of the once-safe Dorset seat. A Tory majority of 23,105 in last year's general election was turned into a 16,427-vote Liberal Democrat margin.

Mr Major's comments came as a victory for the government in the High Court against a legal challenge to ratification of the Maastricht treaty offered a glimmer of good news on an otherwise miserable day. Lord Rees-Mogg is considering whether to appeal but ministers are confident that the High Court judgment will be sustained.

In an attempt to forestall a threatened Tory backbench revolt over tax policy, Mr Major insisted that he would not be deflected from tough measures to reduce public borrowing.

He told reporters: "We need to get the country down to low inflation. We've done that. We need to get the finances right. We're in the process of doing that. We need to make sure the country gets back into growth. That's now happening."

Mr Major then ruled out a U-turn stressing: "I am not going to be deflected from those difficult decisions. I am not going to reconsider the policy on VAT on fuel."

The prime minister's stance did nothing to defuse opposition calls for the tax to be scrapped or delayed, with some Tory MPs echoing demands that the second stage of implementation – due in 1995 – should be abandoned.

Senior ministers acknowledged that Mr Kenneth Clarke, the chancellor, would have to offset higher fuel costs with generous compensation for those on low incomes and the elderly.

The by-election defeat has severely limited Mr Clarke's room for manoeuvre in the November Budget. Some ministers are arguing that any further tax increases must be restricted to reducing the tax allowances of those on high incomes.

With the massive defection of

Continued on Page 24

VW head seeks talks with GM over espionage dispute

By Christopher Parkes in Frankfurt

THE HEAD of Volkswagen has asked for talks with his counterpart at General Motors in an attempt to defuse the increasingly bitter row between the two automotive groups over charges of industrial espionage.

Mr Ferdinand Piëch had contacted Mr Jack Smith, proposing a meeting to "discuss the matter between our concerns without influencing the legal conflict", VW claimed yesterday.

He had also been in touch with Mr Günter Rexrodt, the German economics minister, to discuss his initiative, ministry officials said. Mr Piëch's call to Bonn followed an offer from Mr Rexrodt to act as a mediator.

A ministry spokeswoman said Mr Rexrodt hoped the two sides would moderate their language, and allow legal procedures to take their natural course.

Mr Rexrodt warned both sides in a television broadcast on Thursday night to take care not to damage Germany's reputation, as too many jobs were at risk.

General Motors officials yesterday could not confirm that VW had made contact with Mr Smith, who is travelling during the group's two-week summer break.

But they admitted they were surprised by the initiative so soon after Mr Piëch had been reported as saying that he would not let anyone "pee on our leg".

VW spokesmen were also apparently unaware that Mr Piëch had spoken to Mr Rexrodt. They were unable to confirm that the VW chairman would renew contacts with Mr Smith at the start of next week, as the group said in a press release yesterday.

In an unexpected outbreak of diplomacy, Mr Piëch appeared to be responding to mounting political pressure to break the spiral of charge and counter-charge.

He told a press conference earlier this week that he saw little hope of a peaceful or early end to the row, which is focused on the US group's allegations that Mr José Ignacio López de Arriortúa, its former global purchasing director, and several associates, systematically plundered industrial secrets from GM and its European subsidiaries before defecting to VW in March.

Describing the conflict as a "war", Mr Piëch also insinuated that GM, its German subsidiary Adam Opel or their agents could have conspired to pervert the course of justice by planting evidence implicating Mr López and his team.

His suggestion of talks also followed confirmation from the US Justice Department in Washington that it had opened inquiries into the case on its own initiative because of interest within the department in industrial espionage in multinational companies.

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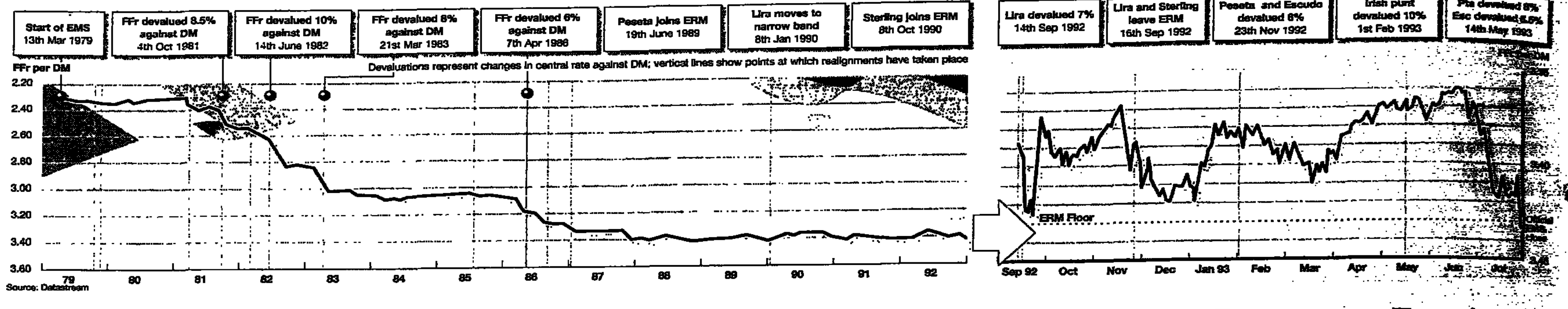
Ups and downs of the European Monetary System



The nightmare facing French policy makers

Pursuing rational economics means political humiliation, writes Ian Davidson

THE problem with the struggle over the future of the European exchange rate mechanism is that the economics and the politics are out of kilter. From a purely economic point of view, France is obviously neglecting its real economic interests by clinging with such fierce determination to the virtually fixed exchange rate against the D-Mark. But from a political point of view, the ERM at its existing exchange rates has acquired all the symbolism of the commitment to closer European integration encapsulated in the Treaty of Maastricht.

This may not be rational, but it is a fact. If France were not compelled to follow the perverse constraints of the Bundesbank's tight monetary policy, it would be free to respond to low inflation and rising unemployment by sharply lowering its interest rates.

But the medium-term political trade-offs would look much more dubious. First, the reputation of the franc as a hard currency would once again be on the line; and the abandonment of the *franc fort* policy would require a wrenching domestic political reappraisal, since it has been followed with rare unanimity by both left and right in France for ten years.

More generally, abandonment of existing exchange rate policy would mean that the credibility of the exchange rate mechanism itself would start to be in question. Most serious of all, the prospects for economic and monetary union, already seriously battered by successive waves of speculative attack, would be further discredited.

When President François Mitterrand opted in 1983 for what came to be called the *franc fort* policy, he was effectively discarding most of his election commitments to old-fashioned socialism in France. Instead, he was putting a higher priority on three other values: France's ability to compete in international markets in the outside world, France's reputation as a fiscally responsible country, and France's commitments to the European Community.

To begin with, the government's new objectives were quite modest: to put an end to soaring trade and budget deficits, to bring down rising inflation, and stop the repeated devaluations. But as the new policy started to work, it became the centrepiece of France's progressive conversion to market economics, both in the official establishment and among the electorate.

In addition it also became the starting point for all subsequent official thinking in France about the future development of the European Community. Without the *franc fort* conversion in 1983, it is unlikely that France could have accepted the 1985 programme for a Single European Market; and without the accumulated success of the *franc fort* policy, it is inconceivable that France could have gone along with, let alone proposed, the plan for economic and monetary union eventually incorporated in the Maastricht treaty.

But the political corollary of the success of the *franc fort* policy was even more profound, because it vastly increased the confidence of French politicians, including President François Mitterrand, in their attitudes to the relationship with Germany. Previous French leaders, starting with President Charles de Gaulle, had always known that France was economically much weaker than Germany; but they attempted to dominate Germany politically, by virtue of the wartime inheritance, France's possession of nuclear weapons and a seat on the Security Council, and Germany's division and diminished sovereignty.

But after the *franc fort* policy began to produce consistent benefits in the late 1980s, with steadily falling inflation, the French started to think that they might even be able to compete with Germany on terms of economic equality as well. This new economic self-confidence goes a long way to explain the extraordinary partnership between President Mitterrand and Chancellor Helmut Kohl.

First, it meant that both of them could believe that their own countries would benefit from ever-more ambitious plans for the integration of a federal Europe. Moreover, when the Germans were reunited and recovered their political sovereignty, it meant that President Mitterrand was able to overcome his initial reflex of revulsion, and instead press for a further acceleration of the Community's integration plans. And in the end, he claimed that monetary union in Europe would make the Community the world's number one monetary power.

But the converse is that the franc exchange rate has become a virility symbol of French economic strength. If it were to be blown out of the ERM, that would be a major humiliation on political grounds of self-respect.

The problem today is that this logical construction, built up from the foundations of the *franc fort*, is now turning into a nightmare for French policy makers. In a logical world, it might make sense to argue for a temporary suspension of the ERM, until Germany has digested the costs of unification; it might make sense to re-think the timing and the criteria of the programme for economic and monetary union.

The difficulty is that the recent perverse effects of the *franc fort* policy, notably the aggravation of the recession and the increase in unemployment, have seriously undermined French popular support for Maastricht, leading last March to a catastrophic defeat for the Socialist government. It might be constructive to re-negotiate a more plausible programme for Emu; but by now there may no longer be enough popular support in France for such an objective, to enable it to be ratified.

Fears in Spain

Madrid 'needs anchor of EMS'

By Tom Burns in Madrid

MR Pedro Solbes, Spain's economy and finance minister, yesterday called for weekend inter-governmental talks to stem further currency speculation.

"We cannot start off on Monday in the same way that we finished off on Friday," Mr Solbes said. He said the talks should be sponsored by France and Germany.

Mr Solbes was speaking after a cabinet meeting which had reviewed cuts in unemployment benefits to reduce Spain's expanding budget deficit. The discussions took place as Spain began facing up to possible withdrawal of the peseta from the ERM.

Domestic policy makers, business leaders and economists are uncertain about what life might be like outside the security of the ERM. There are fears that Spain, after four years of EMS membership, still requires the discipline imposed by the system.

"Within the EMS we have an anchor that propels us towards convergence (with the system's stronger economies) and protects us from the financial indiscipline that would otherwise exist," said Mr Oscar Fanjul, chairman of the state energy group, Repsol.

However, some economists argue that Spain has already cut loose from the disciplinary anchor. The public deficit is running at around at 6 per cent of GDP, double what it ought to be under convergence targets, and inflation has stuck at an unacceptably high 4 to 6 per cent.

Carlos Espinosa de los Monteros, chairman of the Circulo de Empresarios, a Madrid-based business think-tank, argued it did not make that much difference whether Spain remained in the ERM or not. "Everything would be fine if we had been disciplined but we haven't. We have the disadvantages of ERM contraints and not the advantages of fiscal probity."

The economy desperately needs lower interest rates with GDP set to fall by perhaps 0.5 per cent in 1993 and first half statistics showing unemployment at 22.25 per cent.

But Mr Gwynn Hatch, a senior economist at James Capel in London, argued that the Bank of Spain could only reduce rates cautiously.

"The difference between Spain and the UK last autumn and with France now is that Spain has not got inflation licked."

Markets unleash fierce assault on French currency

Franc fort on brink of surrender

Where does the ERM go now?

OPTION 1

■ **Sweat it out:** the Bundesbank and the Bank of France could defy the sceptics and decide to hold on to existing exchange rate parities, come what may. This would mean open-ended and costly intervention by Europe's central banks, which several ERM members might be unwilling to countenance. Spain and Portugal, for example, might decide to withdraw sooner rather than later, joining the UK and Italy in floating outside the mechanism.

OPTION 2

■ **Realign:** members could opt for a wholesale realignment of exchange-rate parities, but leave the ground rules unchanged. This would involve an upward revaluation of the strongest currencies, the D-Mark and the Dutch guilder and possibly the Irish punt. The French franc would be devalued against these strong currencies, but given a higher value against the other weaker ones. In the past, France in particular has resisted this.

OPTION 3

■ **Re-vamp:** a "new and improved" ERM, including not only a realignment, but additional safeguards to make the system more durable. These could include: letting currencies fluctuate more against their central rate; a willingness to tolerate smaller, more frequent realignments; measures to discourage currency speculation, such as a tax on foreign currency transactions or the re-introduction of limited capital controls.

OPTION 4

■ **Call it a day:** Germany, France and the other member countries could abandon the ERM, possibly by suspending their central banks' obligation to keep currencies within the grid. This would leave all currencies floating against each other and the dollar and yen. One possibility would be for the ERM members, minus Germany, to form a semi-fixed exchange rate system. The D-Mark could join later, when German inflationary pressures had subsided.

By John Ridding and Alice Rawsthorn in Paris

WHEN Mr Edouard Balladur, France's unflappable prime minister, emerged late on Thursday night from crisis talks with his economic and monetary officials to decide how to defend the franc, he said it had been "just a normal day".

But even by Mr Balladur's sanguine standards, the events of yesterday were abnormal. The markets unleashed a fierce assault on the franc, following Thursday's unexpected decision by Germany's Bundesbank to leave its discount rate unchanged. The franc fell to its ERM floor rate of FFr3.4305 to the D-Mark despite concerted intervention by the French and German central banks.

Economists argued yesterday that the current franc/D-Mark parity was probably untenable and that the French government's *franc fort* policy was on the brink of defeat.

The government now faces a series of painful decisions. The first is whether to try to tough it out. The *franc fort* is the centrepiece of French economic policy, and the current franc/D-Mark rate is unlikely to be surrendered without a fight.

Economists argue that this would involve continued heavy intervention by the Bank of France, if necessary with a rise in French official short term interest rates above their current 10 per cent level. The French central bank has an estimated FFr123bn of net reserves to deploy and it would also expect to receive support from the Bundesbank. One diplomat said yesterday the French strategy might have been to let the franc fall to its ERM floor rate so as to force the German authorities to intervene on the franc's behalf.

A strategy of intervention and high French interest rates was used successfully to defend the currency in previous attacks in September last year and January this year. But the current situation is more complex. France is in recession. INSEE, the state statistics institute, forecasts a 0.7 per cent fall in gross domestic product this year. Meanwhile industry is pleading for lower interest rates.

Observers argue that these constraints mean that realignment of the French currency within the ERM is becoming increasingly difficult to avoid. "If the franc has to devalue, then Mr Balladur's first instinct will be to devalue within the ERM," says one Paris-based diplomat. This would allow the ERM to remain intact, but would require German assent to a revaluation of the D-Mark.

That solution was left open by a statement yesterday morning from the Bank of France. The central bank said that it excluded leaving the ERM or floating the franc. But it said nothing about a possible realignment of ERM currencies.

If devaluation cannot be avoided, then realignment within the ERM, rather than departure from the system, would probably be the least damaging outcome for the Balladur government. The French prime minister has chosen his words carefully on the subject of the ERM and the franc. "I am fully committed to the stability of the franc within the ERM," he said in a newspaper interview earlier this month. "I exclude today or tomorrow any other policy."

Political analysts in Paris argue that such a policy could be consistent with a realignment. "He has never said as baldly as the former prime minister that he would quit before devaluing," said one diplomatic source. However, others claimed that Mr Balladur is seen by the French electorate as being so strongly committed to the current parity that any change would be interpreted as defeat.

A devaluation of the franc would find a warmer welcome from many industrialists. The franc's strength since September has posed serious problems for French companies by making their exports less competitive in countries with weaker currencies, notably the UK, Spain and Italy.

The latest external trade figures, published yesterday by the Customs Office, illustrated the extent of the damage. The value of French exports fell to FFr91bn (£10.36bn) in April, a reduction of 19 per cent on the same month last year. The general economy has been sheltered from the full effects of lower exports by a sharper reduction in imports (the trade surplus rose to a record FFr7.65bn in April), but industry has suffered.

"We would gain a lot from a *franc faible* (a weak franc), because we export much more than we import," said Mr Philippe Messager, corporate finance director of Valeo, the motor components group which derives most of its sales from overseas markets. The strong franc has also diminished the profit contribution from the foreign subsidiaries of French companies.

For some companies, however, such as Rhône Poulenc, the chemicals group, the *franc fort* policy has encouraged industry to become more competitive. "We don't need a different exchange rate," Mr Jean-Pierre Tirouflet, finance director, commented recently.

But last night, as the fate of the French franc hung in the balance, France appeared to be in danger of a different exchange rate whether it needs it or not.

Jobless total sees further rise

By John Ridding and Alice Rawsthorn

FRENCH unemployment rose by 44,600 in June to a record 3,185,000, the labour ministry announced yesterday. The increase takes the unemployment rate to 11.6 per cent, compared with 11.5 per cent in May. The figures were largely in line with expectations.

The gloom over rising joblessness and the currency crisis was partly tempered by news of a slight improvement in business confidence in the latest monthly study from INSEE, the state statistics institute.

Although sentiment remains weak, according to INSEE, there are signs that confidence has reached its nadir. Industrial output has continued to fall, apart from in consumer goods.

The only other positive sign was the publication of provisional figures by the Customs Office showing that France's external trade surplus rose to a record FFr7.65bn in April, from the previous record of FFr7.44bn in March.

However, the chief cause of this healthy surplus was the continuing fall in imports, reflecting weak domestic demand. The value of imports fell to FFr83bn in April, a reduction of 3.2 per cent on March and of 19 per cent on April 1992.

Exports also continued to fall, albeit at a slower pace than in previous months.

A view from France

The case for maintaining the D-Mark/franc parity

By Didier Maillard, chief economist, Banque Paribas

PERSONAL VIEW

At a time when the French currency is experiencing a new wave of weakness and the commitment to the European exchange rate mechanism is under question, it is useful to go back to both economic and political fundamentals. These fundamentals greatly support the maintenance of the current parity with the D-Mark.

First, the French commitment to low inflation results from more than just the unavoidable consequence of a commitment to European construction, and removing the link with the D-Mark would be widely interpreted as a renunciation of this low inflation policy. Indeed, the French economy experienced, in the late seventies and early eighties, the absence of a trade-off between inflation and unemployment and the need for low inflation as a precondition to sustainable growth and job creation.

Breaking the link with the best-managed currency over the last 40 years would partly mean giving up once again the fight against inflation, and would rapidly have economic costs, but also political costs. If inflation is not a cause for street demonstrations, the French are now used to price stability, and the prospect of an end to this stability in the context of a currency devaluation and worst compensation for savings would undoubtedly hit a large share of the population. Whatever the gravity of the unemployment problem, few of those people would be convinced that the losses they would endure were necessary to improve the job picture, and they would be right in thinking that way.

Of course, French unemployment remains high and will continue to grow, hitting more than 12 per cent of the workforce at the end of this year. But core unemployment is mainly due to labour market rigidities, and monetary easing would be of little help in reducing it. What is needed are structural measures, which can be implemented and acted on slowly. The government began tackling the problem by reducing employers' social contributions on less skilled jobs and limiting the rise in the minimum wage to the minimum increase. The government's relative prudence so far in this respect, due to political constraints, may well be regretted.

Second, France is not in a bad competitive position, as the records of its external balance tend to show, although it is, to some extent, helped by the contraction in internal demand. Since the last realignment in the ERM in January 1987, the competitive position vis-à-vis Germany has improved, especially if unitary wage costs are considered. Global competitiveness was naturally hit by the devaluations of the pound, the lira and the peseta (which together amount to roughly 20 to 25 per cent of France's competitors), but part of these moves were just a correction of overvaluations of these currencies over the last five years. Moreover, the impact of such devaluations is more or less offset by the rise of the dollar and the yen.

Even if a depreciation of the franc would stimulate exports and contain imports, it is not the key to the present problems facing the French economy, which are a lack of confidence and excessive precautionary savings.

France's success in curbing inflation over the last ten years has potentially led the EMS to ("two-anchor") equilibrium, as the D-Mark keeps the benefit of the long-term credibility of price stability the Bundesbank has built, even if Germany's latest performance is worse than that of France. The "two-anchor" situation means that in the long run depreciations of one currency against the other are both equally likely and unlikely. As a result, interest rate premiums should disappear as the expected returns in assets of both countries should not be affected by foreseeable moves in exchange rates.

However, such a situation may well prove an unstable equilibrium in the short term, in the absence of interest rate spreads. This disequilibrium will periodically put into question both the franc and D-Mark currencies on an alternate basis, and will be sustained by news of relatively little actual significance. In addition, this lack of stability is encouraged by the ease and inexpensive cost of switching from one currency to the other.

Should progress be made on the future merger of currencies, we would be more comfortable to predict a lasting stability. A renewed prospect for monetary union, and a more concrete indication of the path to it, would help stabilise an otherwise weak equilibrium. This would require political progress. But even in its absence, the case for ending the ERM link is supported neither by economic nor political reasons.

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■ Bundesbank battens down hatches ■ Gold price pushed up ■ Whitehall claims vindication

Frankfurt dives for cover from the flak

By Andrew Fisher in Frankfurt and Judy Dempsey in Berlin

THE BUNDESBANK took up an increasingly embattled position yesterday, as its smaller than expected interest rate cut and an ambiguous comment by one of its directors led to confusion and criticism among economists and currency dealers.

Mr Johann Wilhelm Gaddum, a Bundesbank director, said the German central bank would not act to stop money market rates from falling below the discount rate – unchanged at 6.75 per cent on Thursday – if intervention in the European Monetary System led to a flood of liquidity.

He said the bank would not offer Treasury Bills to soak up liquidity created by currency intervention.

Thus call market rates could fall below the discount rate and the securities repurchase (repo) rate, now at 6.95 per cent.

Mr Gaddum's comments, which appeared to go against the Bundesbank's refusal to cut official rates further, caused considerable uncertainty in the markets.

"It seems a rather crazy statement," said Mr Gwyn Hacche, a senior economist at James Capel, the UK investment house.

This week the Frankfurt-based Bundesbank cut the Lombard rate by half a percentage point to 7.75 per cent, disappointing those who had hoped for a discount rate cut to ease strains on the EMS.

Further indicating the continuing pressures on the Bundesbank, Mr Otmar Issing, another director, declined to appear on a lunchtime financial television programme yesterday, having previously confirmed his attendance.

While economists generally felt that the European exchange rate mechanism could not hold out in its present form much longer, they were unsure whether anything would happen this weekend.

Mr Hans-Helmut Kotz, economist at Deutsche Girozentrale, called this week's Lombard rate cut "a purely symbolic action that will only cause irritation at best".

He felt fairly certain that something would occur this weekend, in view of the burden placed on the French economy by the franc's current parity and the high interest rate levels needed to support this.

"The Bundesbank could be starting its holiday with a working weekend," he added. Mr Adolf Rosenstock, economist in Frankfurt for Industrial Bank of Japan, said: "We are probably already experiencing the agony or even the final hours of the EMS's fixed rate system."

In Bonn, government officials refused to comment publicly about what impact the Bundesbank's actions would have on the future of the ERM.

But privately officials said they were increasingly concerned about relations between Bonn and Paris in the light of the Bundesbank's decision to give priority to the domestic economy.

Reuter

Gaddum: his comments caused uncertainty in the markets

Gold price bursts $400 level

GOLD'S PRICE burst through the psychologically important $400 a troy ounce level yesterday for the first time since the Gulf war 31 months ago, writes Kenneth Gooding, mining correspondent.

New York investment funds used the turmoil in European currency markets as a launching point for another attack on a target they have been attempting to reach since the April campaign by high-profile financiers Sir James Goldsmith and Mr George Soros reignited interest in the gold market.

Gold jumped by $9.40 an ounce in London from Thursday's closing price to reach $404.50 early yesterday after overnight buying by the US funds drove it up in the Far East. More New York buying emerged late in the day to take gold to $405.75 an ounce, up $11.65, by the close of trading in London.

Traders report that physical demand for the metal has virtually dried up because of the speed of the gold price rise from a seven-year low point of $327 an ounce in January.

Fund managers rush to limit their exposure

By James Blitz, Economics Staff

POLITICIANS in Europe have frequently blamed speculators for the crises in the exchange rate mechanism. But the frantic selling of the franc yesterday appeared to be by pension funds and companies with international investments, who do not normally take speculative positions in currency markets.

Throughout the last few days, fund managers have been particularly concerned that a devaluation of the French franc could undermine the value of French bonds and equities they hold. They have therefore hedged the exposure of these instruments by selling the French franc now, fearing that its exchange rate will soon depreciate.

Pension fund managers intervene in the currency markets comparatively rarely. But the sums that they have under management are vast, and much greater than the reserves held by central banks.

The other group of players who were selling the French franc yesterday were the New York based hedge funds – of which the Soros Fund, run by the entrepreneur, Mr George Soros, is the best known.

These funds are highly speculative players, but for most of this week they have taken a very low profile. Last weekend, Mr Soros told a French newspaper that he was not speculating against the franc because of his support for European monetary union.

Yesterday, he changed his stance, in a statement saying that it was "futile to protect the European Monetary System by abstaining from trading in currencies."

That statement may have brought a new wave of panic to the market. But, by the end of European trading yesterday, the hedge funds still appeared to be playing little part in this crisis.

Grim satisfaction in London

UK harks back to warning of 'fault lines'

By Philip Stephens, Political Editor

THE BRITISH government last night found it hard to disguise a mood of grim satisfaction, as its European partners struggled to preserve the European exchange rate mechanism.

Humiliated by sterling's departure last autumn from the currency grid, Whitehall officials and their political masters could at last claim vindication. The system, as Mr John Major declared at the time, had indeed developed serious fault lines. The prime minister had been right also to declare European monetary union a distant dream, not a short-term reality.

But the inevitable self-justification disguised a less sanguine assessment of the prospects for the European – and British – economies if the present era of managed exchange rates were to end in the ERM's disintegration.

The Whitehall judgment was that decoupling of the French franc and other ERM currencies from the D-Mark could support Britain's fledgling economic recovery. Lower interest rates and stronger growth in the rest of the Community would provide expanding markets for the exports on which the UK upturn depends.

Senior Conservative Eurosceptics were quick also to point out the potential political gains for the UK government.

A dramatic failure of Franco-German monetary co-operation would impose severe strains on the core alliance which has so often consigned Britain to the European sidelines. Mr Major's hopes of a more symmetrical relationship between London, Bonn and Paris would be greatly strengthened. So, too, would Mr Major's voice in decisions over the next few years on the Community's future.

But the more cautious British ministers – Mr Douglas Hurd, the foreign secretary, and Mr Kenneth Clarke, the chancellor, among them – see countervailing disadvantages.

Mr Clarke, long an advocate of managed, stable exchange rates, sees no advantage in competitive devaluations across the EC. The benefits of lower interest rates might be offset in the short term by the damaging blow delivered to business confidence by a collapse of the exchange rate grid.

Even though sterling's exit from the ERM led to sharply lower borrowing costs, the immediate effect was to damage the recovery prospects.

The advantages Britain secured following sterling's devaluation last autumn have already been eroded by the recent rise in the pound's value. Exporters are warning that weakening exports threaten the pace of growth.

Nor does the government see any medium-term gain for industry from a return to the era of free floating. The single market was designed to create a level, stable playing field for European business. Britain would lose as much as anyone if that were undermined by unpredictable gyrations in exchange rates.

Competitive gains threatened

Opening the way to base rate cuts

By Emma Tucker and Peter John in London

WITH THE European exchange rate mechanism on the brink of collapse, analysts were yesterday relishing the implications for the UK economy.

The release of continental European currencies from the mechanism would allow governments to cut interest rates and stimulate economic growth. This would help UK manufacturers struggling to sell exports in exceptionally sluggish European economies.

The danger for the UK is that the competitive gains of devaluation that have boosted UK exports since September would be threatened by devalued European currencies. UK exporters would have to work harder to maintain market share.

But, while a collapse of the ERM could threaten the UK's competitive gains, it would also open the way for further UK base rate cuts as former ERM members gave up the battle to hold their currencies at certain values and eased monetary policy.

The UK government bond market reflected that belief with prices rising sharply and pushing long-term yields, which mirror the market's perception of future inflation, down to 7.825 per cent, their lowest level for well over 20 years. The 10-year gilt futures contract for September shot forward almost a full percentage point and closed $\frac{22}{32}$ higher at 109.23 after some investors took profits.

The Bank of England took advantage of the continued enthusiasm for gilts by announcing a £1.3bn issue of stock. Although gilts thrive on political stability buyers ignored the potentially disruptive effect of a huge Tory by-election defeat in Christchurch, southern England.

Economists cautioned that most of the buying was fuelled by foreign investors attracted by the UK's status as a currency safe haven. They said that if the existing structure of the ERM crumbled the UK's competitive advantage might be eroded as ERM members cut rates independently.

Israeli onslaught ignores Hizbollah truce offer

By Julian Ozanne in Jerusalem and Mark Nicholson

ISRAEL yesterday ignored a truce offer from pro-Iranian Hizbollah guerrillas and vowed to continue its devastating aerial and artillery bombardment of villages in southern Lebanon.

The decision not to let up in its offensive came amid continuing US efforts behind the scenes to arrange a ceasefire after six days of bombing of southern Lebanon by Israeli warplanes and heavy calibre cannons.

Israel's cabinet, which held a special meeting in Tel Aviv, said it would continue the onslaught which has driven more than a quarter of a million Shia Moslem villagers from their homes until the Hizbollah stopped their rocket attacks on Israel. At least 126 people have been killed since Sunday and more than 500 wounded.

Before the cabinet meeting, Sheikh Hassan Nasrallah, secretary-general of the Islamic fundamentalist Hizbollah (Party of God) said they would stop their attacks after Israel carried out a "complete and permanent halt of aggression against villages and civilians."

Beirut interpreted the move as showing a measure of defensiveness from Hizbollah, which is the target of increasing criticism from many among the 300,000 refugees from the south for having triggered their plight.

With Israel apparently implacable in its insistence that it will not stop the bombardment without hard guarantees first that Hizbollah attacks will also be halted, all eyes in Beirut yesterday were fixed firmly on Damascus, where Syria, Iran and Lebanon held a second day of talks.

The Lebanese government has said it is politically incapable of taking action against Hizbollah, although it is widely felt by diplomats and Lebanese politicians that the Lebanese army could control the fighters if Syria gave its political approval.

The anxiousness of Mr Rafik al-Hariri, the Lebanese prime minister, to find some such formula is clearly signalled by the fact that he has now spent most of the last three days in Damascus, where his talks with Mr Farouk Sharaa, the Syrian foreign minister, were unexpectedly joined on Thursday by Mr Ali Akbar Velayati, Iran's foreign minister – bringing together in Damascus both of Hizbollah's main sponsors.

Nothing had emerged from these talks by late last night but Lebanese politicians expected an announcement that Mr Warren Christopher, the US secretary of state, would postpone his visit to the region by at least 48 hours as an attempt to increase further the pressure on Syria to agree to rein in Hizbollah.

Meanwhile, in a special briefing for US reporters Mr Shimon Peres, Israel's foreign minister, said the government had ruled out both a ground offensive and an expansion of the area of southern Lebanon it controls – an enclave Israel calls a "security zone".

His remarks followed a large deployment of tanks and motorised infantry into the buffer zone on Thursday evening.

A blow for compromise, Page 9

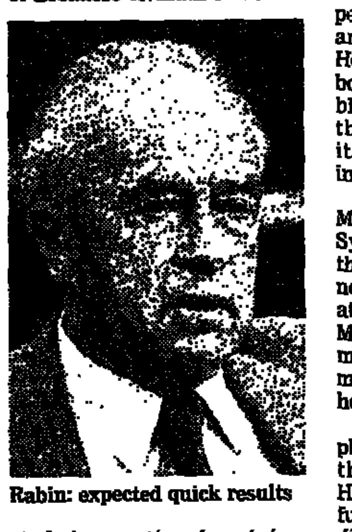
Rabin faces his greatest challenge

Israel's PM is being dragged into Lebanese mire, says Julian Ozanne

MR Yitzhak Rabin, Israel's prime minister, is facing his greatest challenge since taking office a year ago: how to draw Israel's bombardment of southern Lebanon to a close in a way that maximises his domestic standing, wins back international support and advances his government's peace agenda while continuing to guarantee what he sees as the country's security.

Having gone in to Lebanon expecting quicker results, Mr Rabin now faces the prospect of being sucked into the Lebanese quagmire, as Israel was when it invaded in 1982, and is scrambling around for ways to get out with tangible benefits.

The relentless bombardment of Lebanese civilians has alienated international opinion, including the US, threatened the Middle East peace process and revealed political strains in his coalition government.



Rabin: expected quick results

Yet it has also exposed one of the foundations of Mr Rabin's premiership: his belief that only by acting tough can he force Arab states into concessions in the peace process and maintain a broad popular base for the best peace deal.

"Rabin is committed to peace but don't forget he was elected on a narrow margin because people saw him as a strongman who made no concessions on the security of Israel," said Mr Yoel Marcus, an Israeli political commentator. "He can say to the public: trust me in peace talks because the first thing on my mind will be a deal which does not harm Israel's existence and its security."

Supporters of Mr Rabin's labour-led coalition – the left-wing Meretz party and the five Arab MPs – continue to criticise the Israeli operation as "immoral," largely for its tragic impact on the lives of half a million Shia villagers in southern Lebanon.

At least half the cabinet, including four Labour ministers, have voiced their opposition to the operation. But the ability of the cabinet and parliamentary critics to influence Mr Rabin remains severely circumscribed by the initial popularity of the action and by the fact that any serious threat to the coalition could pave the way to a return to power by the right-wing Likud party.

An opinion poll in the Yediot Ahronoth newspaper yesterday showed 93 per cent of Israelis supported the action when interviewed on Wednesday.

For the moment, Mr Rabin has successfully boosted his image as a tough and unrepentant warrior for Israel – undermining the claims of Likud as the party of "security."

However, there are political limitations and diplomatic dangers with this policy. Any commitment of ground troops in Lebanon could place unbearable strains on the coalition and quickly turn the public, which remains haunted by the disastrous 1982 war with Lebanon, against the government.

Political analysts say Mr Rabin is still haunted by the memories of the 1967 Middle East war when he was Chief of Staff and continues to see peace with Syria as the main ambition of his premiership. He views the pro-Iranian Hizbollah guerrillas, the ostensible target of the offensive, and the Lebanese government itself, as proxies of Syrian interests in the region.

Analysts say at least part of Mr Rabin's strategy is to show Syria and other Arab states that Israel under Labour has not gone soft and will negotiate from a position of strength. Mr Rabin also aims to exert maximum pressure on Syria to make concessions on a comprehensive regional peace deal.

The deal would involve the phased return of most or all of the Israeli-occupied Golan Heights to Syria in return for full peace, including trade and diplomatic relations and guaranteed security on both the Israeli-Syrian and the Israeli-Lebanese borders. Israel would also agree a phased withdrawal from southern Lebanon.

Senior government officials believe the present crisis could be turned into an opportunity with the involvement of the US. But this would assume Damascus, Beirut and Washington would accept a delinking of the Palestinian and Jordanian talks from those with Syria and Lebanon – a move many believe is unlikely.

Critics, however, say Mr Rabin's military strategy, which remains unsuccessful so long as Hizbollah continues to hit Israel with rockets, depends far too much on a response from the other side. After President Bill Clinton's praise for "Syrian restraint" during the conflict they say Israel will have to pay a price to Syria at the negotiating table for allowing Damascus to emerge as the key to a regional solution. Furthermore, they believe that without a durable peace deal, the operation could swell the ranks of Hizbollah, destabilise Lebanon, and create a worsening security threat to Israel.

Mr Rabin's offensive against Lebanon was always risky. Unless a there is a breakthrough soon, it is difficult to see how the prime minister will be able to extricate himself from the crisis unscathed both at home and abroad. The longer the conflict continues, the greater the risks to Mr Rabin's international and domestic standing and to the entire Middle East peace process.

Italy gropes through bribes maze

By Robert Graham in Rome

CAUGHT IN WEB OF ALLEGATIONS: Former Italian prime minister Giulio Andreotti (left), who denies any wrongdoing, votes to lift his parliamentary immunity, allowing magistrates to investigate his alleged role in the death of a journalist

Reuter

THE mother of all bribes paid out in Italy's corruption scandals is now known to be L135bn (£56m).

Breaking the wall of silence surrounding this payment to political parties, individual politicians, businessmen and middlemen has been a central objective of Milan magistrates since the beginning of the year.

The payments relate to the "Enimont affair" – the abortive attempt in 1989-90 to reorganise the chemicals industry by merging public sector interests of Eni, the state oil concern, with private sector assets of Montedison, the Ferruzzi group's chemicals arm, in a joint venture, Enimont.

Milan magistrates were convinced the murky background to the Enimont affair would expose the extent to which the government, controlled by Christian Democrats and Socialists, subverted Italy's business life to their own illicit ends. If the allegations, leaked by magistrates over the past 24 hours, are proved correct, discrediting of the political establishment will be complete.

The magistrates appear satisfied they have got what they want. Two key witnesses in the Enimont affair – Mr Giuseppe Garafano, former Montedison chief executive, and Mr Carlo Sama, his successor, who is married to a daughter of the founder of the Ferruzzi empire – have been secretly released from jail. This emerged yesterday, though they were released to house arrest on Thursday.

Milan magistrates have adopted a policy of keeping people in jail on corruption charges until they confess. Mr Garofano was arrested in Switzerland on July 13 and extradited with unprecedented speed two days later. Mr Sama was arrested on Friday last week, the day when Mr Raul Gardini, his brother-in-law and former head of Montedison, committed suicide – the fourth in the Enimont affair.

Mr Gardini is alleged to have arranged a first bribe of L15bn, paid to the Christian Democrats and Socialists in 1989 to ensure Montedison got tax breaks when it merged its chemical interests with those of Eni to form Enimont.

The big bribe came when Mr Gardini broke his pact with Eni over joint control of Enimont. Unknown to Eni, then run by Mr Giuseppe Cagliari, who also committed suicide last week, Mr Gardini acquired 11 per cent of the outstanding 20 per cent of Enimont through three associates. Eni found out and persuaded a Milan court to freeze Enimont's shares. These were then placed in the custody of Mr Vincenzo Palladino, currently deputy chairman of Banca Commerciale Italiana.

To extricate himself, Mr Gardini offered to sell Montedison's 40 per cent stake to Eni. For this Eni paid L2,805bn – now believed to be at least L600bn above the real value. Eni paid a further L1,360bn for minority shareholders, including Mr Gardini's associates. In return there was a political pay-off of L100bn plus $20m.

This amount is believed to relate to 5 per cent of Montedison's real profits on the Enimont stake sale to Eni. Montedison was able to pay over the funds through off-balance-sheet operations, phoney property deals and transactions between foreign subsidiaries.

Milan magistrates are understood to have warned eight senior politicians they are under investigation for being involved in this alleged payment. Mr Arnaldo Forlani, Christian Democrat leader at the time, has already got such a warning, in which he is alleged to have received L35bn.

Mr Bettino Craxi, then leader of the Socialist party which regarded the oil and chemicals industry as its fiefdom, is alleged to have got a staggering L75bn. He, too, denies involvement, but yesterday admitted the party had received political contributions from both Montedison and the Ferruzzi group as a whole.

The rest of the funds were allegedly handed to Mr Paolo Cirino Pomicino, a senior Christian Democrat minister and close ally of the then premier, Mr Giulio Andreotti, and Mr Claudio Martelli, the Socialist deputy prime minister.

To smooth the deal, it is alleged Mr Pallidino, who was supervising the frozen Enimont shares, was bribed L2.5bn. He was arrested on Thursday, but his laywer yesterday denied this sum was a bribe and said it was a professional fee from Montedison. It is further alleged share dealings during the Enimont affair were smoothed by the help of Mr Bruno Pazzi, head of Consob, the Milan stock exchange watchdog body. Mr Pazzi, an appointee of Mr Andreotti, was arrested in connection with Enimont on Wednesday.

Even after Montedison pulled out of Enimont, Ferruzzi-Montedison went on paying the politicians – allegedly handing out up to L7bn for the April 1992 elections to the five parties that formed the government coalition during the Enimont affair.

The Republican Party yesterday admitted to receiving L300m to this effect.

Eni is still in arbitration with Montedison over what it claims to be over-valued chemical plant brought by the latter into the Enimont joint venture.

Japan's LDP picks reformer as leader

By Robert Thomson in Tokyo

JAPAN'S Liberal Democratic party yesterday chose a relatively young, self-proclaimed reformer, Mr Yohei Kono, as its president in an attempt to prove to the public that the scandal-stained party is starting afresh.

In the past, the LDP president has automatically become the prime minister, but the fate of Mr Kono, 56, will be determined at a parliamentary session scheduled for next Thursday, for which a coalition of seven opposition parties has secured enough votes to defeat the LDP.

Unless the coalition crumbles in the next few days, Mr Kono, the chief cabinet secretary, will find himself the leader of the largest opposition party in the Japanese parliament, though he expressed pride yesterday that he was chosen "in these diffficult times."

Mr Kono defeated Mr Michio Watanabe, 70, the former foreign minister, in an intra-party election by 208 votes to 159. The appointment of the ailing Mr Watanabe would have been a sign that the LDP had learned little from the events of the past few weeks, highlighted by the loss of its parliamentary majority in a general election.

The party presidency was vacant after the resignation of Mr Kiichi Miyazawa, 73, who will remain prime minister until the parliamentary vote. There are two candidates for the prime ministership, Mr Kono and Mr Morihiro Hosokawa, the Japan New party leader and the coalition's chosen representative.

A stable coalition can expect at least 245 votes in the parliamentary poll, while the LDP is certain of only 225 votes and is relying on a rupture in the coalition to avoid a term in opposition for the first time since 1955.

The LDP and Mr Kono are hoping that factional strife in the Social Democratic party, the largest opposition party, may prompt some left-wing members to abstain in protest at the party's joining of hands with conservative groups.

Ms Takako Doi, the former SDP leader, said yesterday the party was losing its identity by linking with parties formed by ex-LDP members, but did not say she would abstain. Ms Doi has good reason to support the coalition, as she may receive a senior post in the cabinet or be chosen as lower house speaker if the seven parties form the next governemnt.

A member of Mr Miyazawa's faction, Mr Kono's claims as a reformer are based on his own defection from the LDP in the mid-1970s at the time of the Lockheed bribery scandal. He became a member of the New Liberal Club, which was reunited with the LDP in 1986, although the party had done little to end the "money politics" behind most Japanese scandals.

"It is my responsibility to restore public confidence in the LDP and politics," Mr Kono said. "If you look at the coalition and their selection of a leader, you have to say that the choice of Mr Hosokawa was very unclear. Why didn't the SDP, the largest of the parties, provide a leader?"

Kono: defeated Watanabe

Job openings and overtime drop sharply

JOB openings fell sharply in Japan last month, while overtime in the manufacturing industry contracted by a year-on-year 15.7 per cent, suggesting a continued economic slowing in spite of official suggestions that the downturn has ended, writes Robert Thomson.

The labour ministry said the ratio of job offers to applicants fell from 0.81 in May to 0.74, although the official jobless figure, slow to reflect changes in the labour market, was unchanged from a month earlier at 2.5 per cent.

New job offers fell in all sectors, apart from construction, which has received most of the benefits of two government spending packages over the past year. Offers in the manufacturing sector fell 26.3 per cent from a year earlier and in the service sector by 15.4 per cent.

Meanwhile, the 15.7 per cent fall in manufacturing industry overtime followed a 14 per cent decrease in May. For all industries, average overtime contracted 10.8 per cent in June.

The weakness in the job market is an indication of the decline in economic activity, and a sign that the seven-party coalition expected to form a government next week will face immediate challenges in economic policy.

Consumer prices in Tokyo this month rose 0.4 per cent from June and were 1.7 per cent higher than a year earlier, due to an increase in vegetable prices blamed on an unsusually long rainy season, the management and co-ordination agency said yesterday.

Apart from vegetables, there was a 0.5 per cent increase in housing expenses, reflecting the higher rents in desirable residential areas. Clothing and footwear prices fell 2.5 per cent, apparently because of an increase in cheaper products imported from China.

Construction orders received by leading contractors fell 17.1 per cent in June, compared with a year earlier, with private sector orders down 24.7 per cent and those from manufacturers down 50 per cent.

UN probes torture claim

THE United Nations last night ordered an immediate inquiry into charges by a London-based rights group that UN troops in Somalia killed and tortured civilians and little was done to discipline the offenders, writes Michael Littlejohns in New York.

Mr Boutros Boutros Ghali, UN secretary general, said the allegations by Africa Rights, part of a prestigious group that includes Helsinki Watch, were being taken "very seriously." The report was transmitted to Admiral Jonathan Howe, his representative in Mogadishu, who was already discussing the question with General Cevik Bir, the UN force commander, and other military officers.

There have been persistent charges of UN excesses from other quarters, and a public row with General Bruno Loi, commander of the Italian contingent, led to a demand by New York that he be sent home. Italy, Germany and Ireland responded by calling for a thorough re-examination of the UN role in Somalia but this has yet to be done.

Africa Rights asserted that UN actions had earned the hatred of the very people the troops were sent to help and that Admiral Howe, an American, was considered by them to be "another warlord."

The report alleged that Pakistani troops machine-gunned demonstrators in Mogadishu last month and that an 850-strong Belgian contingent in Kismayu was especially brutal, dragging a Somali through the streets behind a military vehicle and hitching the body of another to a tank.

In another incident, the Belgians were said to have driven off field workers with machine gun fire and then to have stolen an entire crop of melons.

Clinton budget to face final vote

By George Graham in Washington

PRESIDENT Bill Clinton's budget will face a final vote in Congress next week after negotiators from the House of Representatives and the Senate yesterday wrapped up a compromise bill.

Negotiators settled on an increase of 4.3 cents per American gallon in the federal petrol tax, slashing the revenue Mr Clinton had planned to raise from a broader energy tax and in the process disappointing both left wingers who wanted more money for social programmes and fiscal hawks who wanted a more serious effort at curbing the budget deficit.

Passage of the budget next week is by no means assured. The House passed its original version in May by only six votes, while in the Senate Vice-President Al Gore's casting vote broke a 49-49 tie last month.

"It'll be tight as a tick in the Senate, but I think in the last analysis we'll push the ball over the goal line in both bodies," Mr Roger Altman, the deputy Treasury secretary, said yesterday.

Even if the budget does pass, it will bear only a passing resemblance to the economic programme originally outlined by Mr Clinton when he took office.

The centrepiece of that programme was a new energy tax levied at 25.7 cents per million British thermal units on most fuels, with an additional 34.2 cents per million BTUs on oil, to raise $71.4bn over five years.

House negotiators this week went along with the Senate's decision to drop this broad energy tax in favour of simply increasing the petrol tax, and on Thursday night they even gave up their efforts to cajole the Senate into accepting an increase greater than the 4.3 cents per gallon it passed in June.

The result is only $23bn of revenue over five years, making it much harder to pay for the urban and low income spending programmes that some House members have made the price of their support.

Congress has also resuscitated many of its favourite pork barrel spending programmes, such as honey subsidies and rural electrification loans, as well as preserving tax loopholes such as the tax deductibility of business meals, while slashing Mr Clinton's proposals to shift spending into new areas he classified as "investments".

In the end, Congress's unwillingness either to raise energy taxes or to cut spending has even forced the Clinton administration to give way on its overriding goal of trimming the federal budget deficit by $500bn over five years from its current projected path.

The compromise budget bill seemed sure to fall short of the $500bn target, although Democratic leaders were still scrambling to ensure it beat the $482bn cut claimed by the 1990 budget agreement.

Turkey's bank chief resigns

TURKEY'S respected Central Bank Governor Rüşdü Saracoglu announced his resignation yesterday after a long policy dispute with Mrs Tansu Çiller, the new prime minister, John Murray Brown writes from Istanbul.

The departure of Mr Saracoglu, a pivotal figure in the country's economic progress of the 1980s, will inevitably raise new doubts about Turkey's commitment to a policy of stable prices.

Mrs Çiller has criticised the governor for his support of high interest rates to protect the currency at a time when exports are falling and the trade gap widening.

However, Mrs Çiller's failure to curb the fiscal deficit had forced her to turn increasingly to the Central Bank, much to the governor's chagrin, for short-term advances – thus fuelling monetary expansion.

In 1992, the Bank abandoned its monetary targeting and adopting a more limited strategy to dampen exchange rate volatility, vital if Turkey is to bring inflation down from around 60 per cent.

Turkish bankers yesterday played down the impact on the markets, although the timing, coming just before the weekend, suggests the government is keen to limit the damage.

Barclays to amend client data policy

By John Gapper
Banking Editor

BARCLAYS yesterday promised to amend its customer application forms after banks were told that they must in future allow customers to choose whether their personal account details can be used by by subsidiaries to market products.

Barclays, Britain's biggest bank, has required customers applying for new accounts, credit cards or loans to sign forms saying that they consent to account information being given to other companies in the Barclays group.

The review committee considering amendments to the voluntary code of banking practice said that it would alter the code from next March to ensure that this kind of approach to consent to the internal use of data for marketing products was barred.

The committee warned in its annual report that if customers are asked to agree to their names and addresses being passed to other companies within a banking group they should be "given a clear option to say no if they wish".

The committee also criticised banks for their "undesirable coyness" over informing customers about their internal complaints procedures, and for using "gobbledegook" in contracts setting out conditions of services.

The ruling comes after controversy over the ways in which banks have interpreted the code's requirement that customers should give "express consent" before their account details can be used for purposes such as life insurance selling.

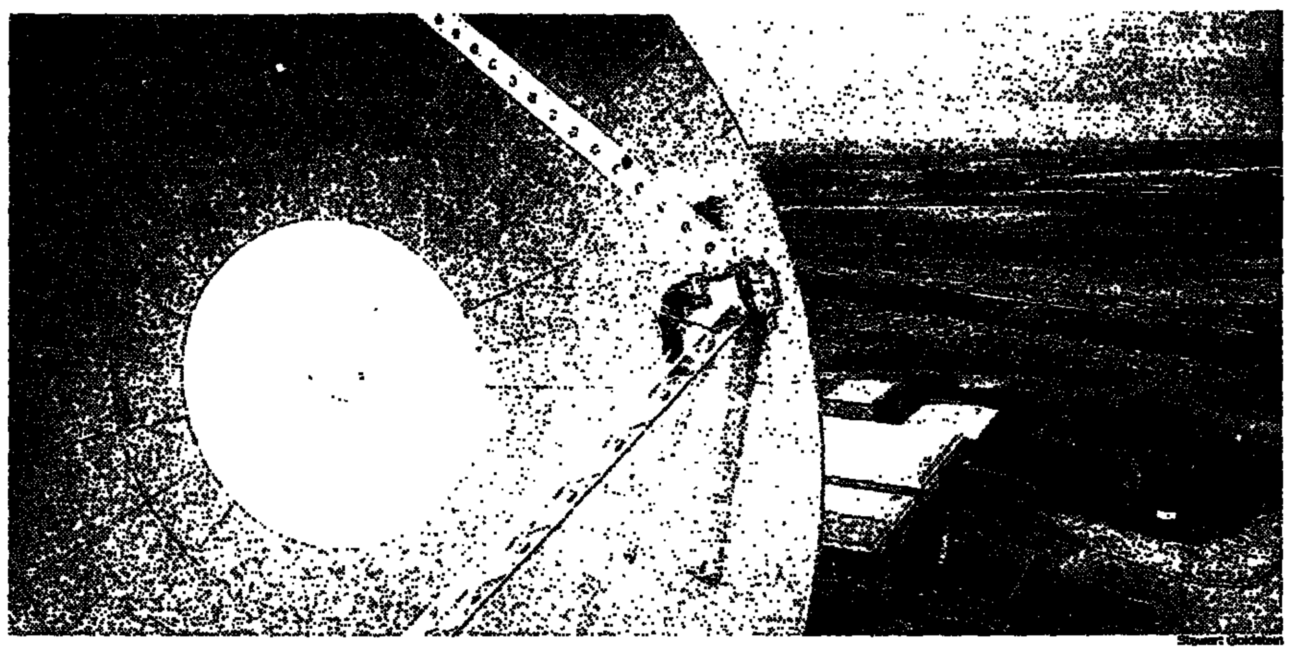
Sir Bryan Carsberg, director-general of fair trading, and Mr Eric Howe, the data-protection registrar, have both expressed concern over apparent efforts by banks including Barclays and National Westminster to circumvent this.

Sir Bryan recently accused some banks of breaking the "spirit and perhaps even the letter" of their code. NatWest has ensured its life insurance sellers access to the bank's current account data by making them bank employees.

Mr Howe said in his annual report this month that the code's benefit was "clearly negated" if banks refused to allow customers access to services unless they signed forms giving consent for data disclosure within the group.

The committee said that "tacit acquiescence" as a result of customer inertia or "their understandable failure to read through the fine print to the end will not be regarded as an acceptable form of consent" when the code is amended.

The committee, chaired by Sir George Blunden, is reviewing the code after receiving over 20 submissions from organisations including consumer groups.



Strong signal: British Telecommunications reported a 14.7 per cent increase in international telephone call turnover in its first-quarter figures published this week. Much of the traffic goes through the 31-year-old Goonhilly earth station in Cornwall

High crime risk for small business

SMALL BUSINESSES run a far greater risk of becoming a target for crime than individuals or homes, a Home Office study of crime prevention schemes has shown, Charles Batchelor writes.

The study found that 40 per cent of burglary victims suffered a second burglary within 12 months, and 48 per cent of "re-burgled" businesses suffered a third burglary.

There was widespread concern among owners of small businesses – up to two thirds were "worried or very worried" about becoming victims of crime.

The study, which looked at small businesses in Hartlepool, Lewisham in south-east London, Nottingham, Salford, Sunderland and Wirral, recommends a seven-point plan for crime prevention. This includes closer co-operation between businesses in High Street Watch schemes, more help from large companies and better collection of data to identify patterns of crime against small business.

The Prevention of Crime Against Small Businesses: The Safer Cities Experience. Home Office Crime Prevention Unit Series Paper 45. Crime Prevention Unit, 50 Queen Anne's Gate, London SW1H 9AT. Free.

Group aims to cut level of skin cancer

By Daniel Green

BRITAIN has had its worst late-July weather for more than a decade, according to official figures.

They will be welcomed by the National Radiological Protection Board, an independent body, which yesterday launched a campaign to discourage sunbathing.

The board is to publish weekly reports on solar ultra-violet radiation, the part of the sun's rays that cause tanning and burning.

From next year the service will give daily forecasts so that the sun-sensitive can take evasive action. The board recommends wearing sunglasses, a broad-brimmed hat and "clothing with a tight weave".

Swimmers should use a sun block with a high sun protection factor. A protection factor of 15 allows the wearer to stay in the sun 15 times longer without burning than without any protection.

Without protection, it takes just 23 minutes on a clear summer's day for sensitive skin to burn in the UK, the board said. In the Caribbean it takes little more than half that. Sunburn increases the risk of skin cancer, and Britons' carelessness could be behind a rising incidence of the disease. Women are more at risk because they sunbathe more than men, said the Imperial Cancer Research Fund. Pale skin and slow tanning show a greater sensitivity, but more important is a family history of skin cancer.

The government's Health of the Nation white paper last year said the increasing trend of skin cancers should be halted by 2005. The Department of Health has backed the board's initiative.

Government figures show incidences of skin cancer in England increased by a quarter between 1980 and 1987, the most recent year for which statistics are available.

Sufferers of the most common skin cancer need an operation to remove the diseased area. Half of those who develop the more rare malignant melanoma die from it. There were 1,091 recorded deaths from malignant melanoma in 1991 compared with 815 in 1981.

ITV chiefs may seek court test of ITC

By Raymond Snoddy

SENIOR ITV executives want the powers and responsibilities of the Independent Television Commission to be tested in court after the row over the timing of News at Ten.

The ITC and the ITV companies have sharply different legal opinions on the issue of the main news bulletin.

A judicial review in the High Court is seen as ultimately the only way of deciding which opinion is correct and whether the ITC has the power to insist that the programme should run at a particular time.

Mr Greg Dyke, chairman of the ITV Association and chief executive of London Weekend Television, believes the issue goes much wider than News at Ten. He believes that the 1990 Broadcasting Act is ambiguous on the respective powers and responsibilities of the ITC and the ITV companies.

Apart from issues of timing, he would like a ruling on ITV's obligation to provide a diverse schedule of programmes.

One possibility to be discussed would involve persuading the ITC to acquiesce in an ITV application for a judicial review to clarify the issue.

Meanwhile opposition is growing to any relaxation of the rules preventing the nine largest ITV companies taking over each other.

The Glasgow-based Daily Record newspaper has published a letter from Mr Ian Lang, the Scottish secretary, to Mr Peter Brooke, the national heritage secretary, in which Mr Lang expresses concern about the implications of such a relaxation for Scotland.

Regional programme-making obligations might still be enforced but there was no protection for network programme production in the event of a takeover.

Mr Lang argues for stricter rules so that, at least in Scotland, ITV companies cannot take over neighbours.

Even supporters of the relaxation of takeover rules, such as Sir Christopher Bland, LWT chairman, believe this is now less likely, partly because of the News at Ten row.

A number of City analysts have attacked the case for larger ITV companies and there seems little sign of a queue of potential continental European predators waiting for January 1 when any such group can more easily take over an ITV company.

CLT, the Luxembourg-based international broadcaster which is seen as one of the most likely predators, says it is more interested in UK radio in the short term. It would be interested in a joint venture with an ITV company in the future.

Mail group to launch £20m sales drive

By Raymond Snoddy

ASSOCIATED Newspapers is launching new tabloid supplements for its three main titles the Daily Mail, the Mail on Sunday and the Evening Standard in London.

Mr Bert Hardy, managing director of Associated Newspapers, said that the initiative, which will cost in the region of £20m in its first year, would be partly paid for by cost-cutting and a significant reduction in the group's television advertising, which totalled more than £11m last year.

The new supplements, with 48 pages and full colour, represent a departure for the middle market and are likely to intensify competition when they are launched in October.

The Daily Mail supplement will accompany the Saturday edition. It will be aimed at the family and include seven days of television listings.

The new Mail on Sunday section will feature reviews and have longer pieces of what Mr Hardy calls "reportage", aiming to increase the paper's appeal to broadsheet readers.

The Evening Standard's supplement will be published on Friday and include the week's television listings.

Mr Hardy said that five years ago the Daily Mail had an average of 40 pages with an advertising ratio of 38 per cent. Now the paper has an average of 64 pages with 32 per cent advertising.

During the same five-year period the Daily Mail's circulation has marginally increased. In January 1989 it was 1.7366m and in June 1993, the latest official figures, it was 1.7455m.

Average circulation for the Mail on Sunday between January and March 1989 was 1.977m, and from March to June this year the figure was 1.985m. Immediate rivals such as the Daily Express and Sunday Express lost circulation during this period.

The newspaper price-cutting wars seem to have settled down. The Sun, which reduced its cover price by 5p to 20p on July 12, has gained about 7 per cent in circulation, almost certainly far below the necessary level to pay for the cut. The Daily Mirror has maintained its circulation in spite of being 7p dearer than The Sun.

Today has dropped between 0.5 per cent and 2 per cent in the battle, and the Daily Star has gained 2 per cent to 3 per cent as a result of its latest promotion.

This week's rise in the price of the Daily Mail of 2p to 32p has made no difference to circulation and the Daily Express follows on Monday with its own 2p rise to 32p.

Overall the popular newspaper market is up nearly 4 per cent following The Sun's initiative.

Major postpones appearance at arms probe

Lord Justice Scott yesterday told **Jimmy Burns** which present and former ministers he wants as witnesses

MR JOHN MAJOR, the prime minister, is to give evidence in public to the inquiry into arms exports to Iraq on January 17 next year, it was announced yesterday.

Mr Major released a copy of a letter sent yesterday in reply to one sent to him on July 14 by Sir Richard Scott, the Appeals Court judge, who is presiding over the inquiry, inviting him to appear as witness in the week beginning December 13.

The change of date was by agreement to fit in with Mr *Major's* other engagements *in* December including the European summit.

The prime minister is expected to be questioned about the extent to which he knew about certain key Whitehall decisions relating to arms exports while he was foreign secretary and as chancellor of the exchequer.

In an interview with the *Financial Times yesterday* – his first since he was chosen to lead the inquiry last December – Sir Richard outlined a list of present and former ministers he wants to give evidence before Christmas.

They include: Baroness Thatcher, the former prime minister; former foreign office ministers Mr Timothy Renton, Lord Howe, Mr William Waldegrave, Mr Douglas Hurd, Mr David Mellor and Mr Tristan Garel-Jones; former trade ministers Mr Peter Lilley and Mr Alan Clark; and Mr Michael Heseltine, the trade and industry secretary.

He said the inquiry had taken longer than he had expected and described it as looking "into a very murky and inaccurate crystal ball" – the world of arms trading and the machinery of Whitehall. He now planned to have his report completed by the end of March, not by Christmas as originally planned.

In his letter to Mr Major, Sir Richard said delays in obtaining some documents from some government departments had "hindered the efficiency of the questioning of witnesses".

But in his interview yesterday he emphasised: "I have not had any impression of any deliberate attempts to withhold information, no civil servants or ministers have dragged their feet about appearing as witnesses.

"As to the answering of questions by witnesses, some

'It is like looking into a very murky and inaccurate crystal ball'

witnesses have been forthcoming and extrovert in the way they answer questions and *some have not. One knows* that as a judge from witness-box appearances. At the end of the day, one has to consider the evidence as a whole and make one's mind up as to what to make of it."

After a week's holiday with his family – "the only complaints I've heard about my work are from my wife," he remarked – he will use the inquiry's summer recess to begin writing his introduction to the report and to sift through additional documents.

He insisted that it was too early to be drawn on the report's conclusions and warned against exaggerated expectations concerning its potential political fall-out: "I do not see myself as holding a gun pointing at the heart of government."

Sir Richard said he did not think his terms of reference included proposals for anti-secrecy laws such as a freedom of information act or rules on *public immunity certificates*, which are used by the government to restrict access to confidential documents.

"I find it quite unlikely that I am going to be recommending any sort of *legislation* on [public immunity] . . . because I think it is essentially the sort of area that ought to be left to be developed flexibly," he said.

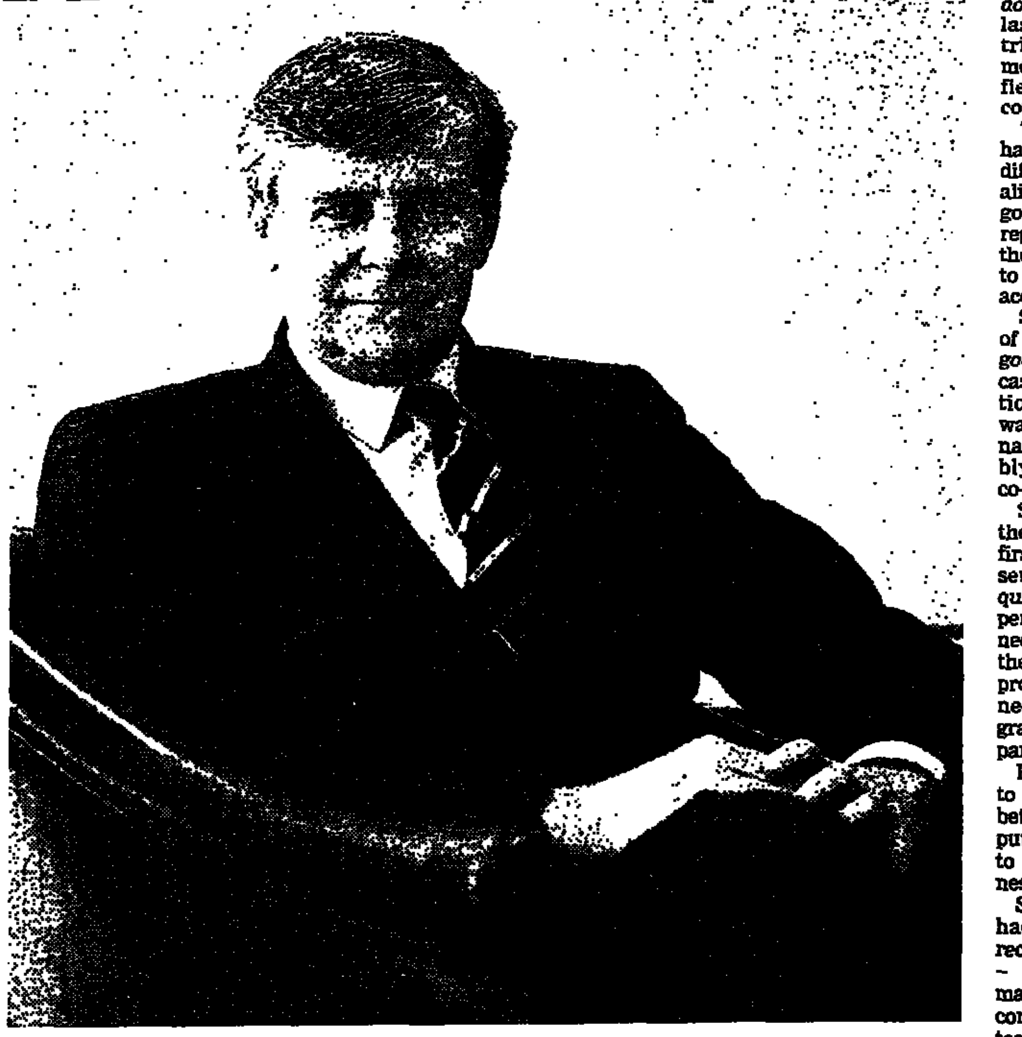
But he indicated that the evidence he had heard so far pointed to the need for a reform of Britain's exports and licensing procedures and a conclusion which could act as an *incentive for ministers and* civil servants to govern more openly in future.

He revealed that one of the main reasons for the delay in the inquiry's proceedings had been his discovery that companies may have been been getting round legal restrictions on arms exports to Iraq by obtaining "open licences" to export to *other Middle East countries* such as Jordan and Saudi Arabia, which are not subject to the stricter licensing regime and can be used as diversionary routes. He was only now beginning to get the documentation on open licensing contracts from government departments.

"I do not know how far the implications of this extend, but this is plainly an area which could quite possibly have been used for a number of exports to Iraq, without any breach of statutory export regulations."

Sir Richard rejected the argument by some officials that his report should not consider matters of ethics and public accountability in the government's handling of its export policy to Iraq.

"I think government should be prepared to share with the public, on whose behalf they govern, its concerns and aims and the reasons why important decisions are taken.



Colin Beere

Lord Scott wants to hear the evidence of Baroness Thatcher, Lord Howe and Michael Heseltine

"I know, that in many cases that is not practical for reasons of security and other overriding national interests that may from time to time arise, but as a general proposition, I do not think that government [policy], on behalf of the public, that is kept from the public, is to be recommended."

Sir Richard defended his decision to hear evidence from members of the intelligence services behind closed doors. He had been "persuaded" by officials from MI5 and MI6 that it would be wrong to identify those witnesses or reveal the content of their evidence in his report where it related to their operations.

"I think the personal safety of some of the witnesses would be put at risk [if they were identified] and that is not a risk I am prepared at any degree to run. If you are going to have intelligence agencies and secret services, they had better be kept secret. Otherwise there is no point in having them at all."

Nevertheless Sir Richard *said the government had* "certainly shown itself to be over-secretive in the handling of *documents*" – a reference to last year's Matrix Churchill trial in which the government's had tried to keep classified documents from defence counsel.

"All the documents which have come to us have various differing degrees of confidentiality or secrecy, according to government criteria. I do not regard myself bound by any of these criteria. I have said that to government and I think they accept that position."

Sir Richard rejected criticism of the cost of his inquiry – "a *good* deal cheaper than a court case" – and dismissed suggestions that it involved time-wasting for civil servants: the nature of the inquiry "inevitably involves the time and co-operation" of Whitehall.

Sir Richard said: "The reason the inquiry was set up in the first place was because of a serious degree of public dis*quiet over what had* been happening in government in connection with arms to Iraq. If the inquiry is going to serve its proper function, I think it is necessary that the nettle is grasped and that the maximum part is held in public."

He added: "If you are going to have an inquiry, you had better have a thorough one and put up with the price that has to be paid for that thoroughness."

Sir Richard revealed that he had asked for but not yet received additional documents – believed to included CIA material – from the Gonzalez congressional banking committee in the United States. The committee has been looking at the financing of an alleged covert international Iraqi procurement network in the 1980s.

Britain's relations with the US government have been mentioned in evidence to the inquiry although Sir Richard said that the British documents he had seen so far did not suggest that the US may *have influenced the UK gov*ernment's exports policy towards Iraq.

Ending of car prefix system urged

By John Griffiths

MOTOR industry analysts believe up to 410,000 cars will be registered in August, the fourth-highest volume for a single month in the industry's history.

But nearly two thirds of car dealers want to discontinue the yearly registration prefix – L this year – which causes the sales bulge, a survey by Automotive Management, a motor industry management publication, and Esso, *the oil group*, has found.

The prefix system was criticised yesterday by Professor Garel Rhys, who holds the Society of Motor Manufacturers and Traders chair *in* motor-industry economics at Cardiff Business School, and is industry adviser to the Commons trade and industry committee.

Prof Rhys warned that the system conflicted with the "lean" manufacturing and distribution practices which the industry needed to remain *competitive, in that it required* manufacturers and dealers to build up stocks in advance of August 1, the day the registration prefix changed.

He said: "The only party now benefiting from the system are Continental manufacturers, for whom the UK August bulge is a godsend when demand in their own markets has gone seasonally flat."

The police favour the prefix system, saying it helps witnesses remember cars used in crime.

Nearly 700 dealers took part in the survey, which found that 62 per cent want to abandon the system and 24 per cent favour it.

The Retail Motor Industry Federation, which represents most dealers, is critical of the system. The survey did not consider possible alternatives.

The August "bulge" – which reached a high point of 500,000 in 1989 – has sometimes threatened to overwhelm the trade. A government inquiry into the prefix system towards the end of the 1980s was abandoned when changes could not be agreed.

The yearly identifier letter should be abandoned, Prof Rhys said, allowing the market to readjust to seasonal peaks.

He added: "If August goes as expected, it will mean that 23 per cent of the year's sales will have been made in one month. Even the Japanese could not *run an inventory-less system* with that kind of distortion."

'The area the judge has been probing is quite absurd'

By Jimmy Burns and Edward Mortimer

WHITEHALL insiders are expressing unease about Sir Richard Scott's "grand inquisitor" role and the way he is conducting his inquiry.

Officials at the Foreign Office – subjected to particular scrutiny in recent public hearings – say they are "relaxed" about the inquiry's potential political impact, and express the hope that some of its recommendations may lead to improvements in the efficiency of the government machinery.

But they say that in his question*ing of witnesses the judge has dem*onstrated a lack of administrative experience and appreciation of the complexity of Whitehall.

One former member of Baroness Thatcher's government said this week: "The kind of area the judge has been probing is quite absurd. There are meetings every week at the Department of Trade and Industry between officials and companies wanting to sell arms with the Foreign Office waiting in the wings. The companies win a few, they lose a few. It's nothing.

"I've been involved in keeping *things from the press but I regard* that as a public service, as a patriotic duty. If we had to explain ourselves every time we made a foreign-policy decision there wouldn't be any government."

Officials say the demands on government departments to produce documentary evidence are "vastly expensive" and waste time which could be used on matters of policy.

Whitehall departments are having to devote one and sometimes two officials to dealing with the judge's requests on a full-time basis. "This is *not what we are here for,*" said one Whitehall insider.

Another widely shared complaint is that the line of questioning by the judge and his team does not appear to take into account the political priorities of the mid 1980s, as opposed to those that prevailed in the aftermath of Iraq's seizure of Kuwait and the ensuing war.

"At the time we were trying to do our best to sell arms," recalled one official. "There were rumours that Kurdish villages were being destroyed by the Iraqis, but these were dismissed by our embassy in Baghdad at the time."

One former aide to Lady Thatcher said the former prime minister, who will give evidence later in the year, was "unrepentant" about her government's conduct of arms policy during the 1980s and was preparing a vigorous defence on commercial and pragmatic diplomatic grounds.

"What we were doing was nothing compared to what the French and the Germans were doing, " he said, adding that in the tortured world of Middle East politics, policy was having to be constantly fine-tuned to deal with changing circumstances.

other foreign observers remember that in September 1988, Sir Geoffrey (now Lord) Howe, Lady Thatcher's foreign secretary, said that the evidence of chemical weapons being used by the Iraqis against Kurdish civilians was "compelling"

The judge's terms of reference require him to consider not whether the government was trying to sell arms to Iraq – which it clearly was – but whether in so doing it was in breach of *the law and its own* declared guidelines.

Court to review warehouse finding

By Neil Buckley

THE COURT of Appeal yesterday allowed the UK's three biggest supermarket *chains to continue* their attempt to block planning permission for a US-style warehouse club – which would sell goods ranging from baked beans to car tyres – at Thurrock, Essex.

Sainsbury, Safeway and Tesco appealed after the High Court rejected their application for a judicial review of Thurrock Borough Council's granting of planning permission to Costco, the US warehouse club operator. The High Court must now review the planning consent *in early autumn.*

Costco said it had spent "several million pounds" on its site next to the Lakeside shopping centre and the warehouse was less than four months from *completion.*

The superstore chains are contesting Thurrock's decision to grant general use approval for Costco's scheme, rather than classify it for retail use.

Thurrock says it believed Costco's business plan set it apart from conventional retailers, and secured a legally-binding agreement from Costco that it would not depart from that plan.

Warehouse clubs sell goods at bargain prices to members who pay an annual fee.

Costco says they do not fit into any existing UK planning category.

But Mr John Littman, partner at planning consultants Rapleys, which is advising the three *superstore chains,* said the clubs must be considered as retailers.

"It is essential that warehouse clubs are subject to the same planning controls as other major retailers if the planning system is to operate consistently and effectively in the public interest."

Since the High Court hearing in June the Department of the Environment has published a planning policy guidance note which says that warehouse clubs should be considered *retailers for planning purposes.*

But Thurrock said yesterday it was "very happy" with its decision. "We are quite confident the High Court will support our original judgment, because it was based on very sound reasoning," the council said.

Just how seriously the retailers are taking the matter is demonstrated by their unprecedented decision to launch joint legal action. They have appointed a public relations agency to handle the issue.

Mr Paul Moulton, managing director of Costco, said he had "not been in the UK long enough to judge whether the big three are typically this altruistic in their protection of the planning laws. It seems *suspicious to me*".

Strength of retail recovery doubted

By Neil Buckley

THE RECOVERY in consumer confidence and retail sales may be weaker than suggested by government statistics, according to a survey carried out by *NOP* for Verdict, the retail market research group.

Each month NOP asks 2,000 adults throughout the UK whether they are seriously *considering purchasing nine* items – ranging from £100-worth of clothes to a house or flat – in the next six months. It adds the percentage of positive responses in each category together to form a purchasing intentions index.

Verdict's index for July is 112, unchanged from June. The figures for the last two months are the lowest this year – after the index reached 125 in May, 117 in April and 126 in March – and are only slightly above the 110 recorded in July last year.

Verdict said: "These data are forward-looking, so that one cannot expect the figures to correlate precisely with current retail sales. But since we began the series these data have proved to be an excellent barometer of trends, and we remain convinced that official data are running seriously ahead of reality."

Verdict said it remained "agnostic" about official statistics showing an inflation-adjusted increase in retail sales of almost 4 per cent year-on-year.

For this increase to be true, it said, retail multiples would have to be experiencing growth of about 6 per cent and independent retailers about 3 per cent.

The group said: "Such levels of growth are not being achieved by the multiples with whom we are in touch."

Its own analysis suggests year-on-year growth across all sectors is about 2 per cent.

Tribunal ruling excludes pensions from EC directive

By John Willman, Public Policy Editor

A TEST case at the Employment Appeal Tribunal has established that pensions are not covered by the European Community directive that preserves the rights of employees when businesses change hands or work is contracted out.

The case was over the pension rights of Mr Ernest Warrener, whose company changed hands in circumstances that were covered by the EC's *Acquired Rights Directive 1977.*

The tribunal ruled that the new owner was not required to offer the same pension provisions to employees which they had enjoyed under their previous owner.

The judgment was described as "decisive" by Ms Melanie Tether, a partner of City solicitors Norton Rose.

She said: "The tribunal backs the government view that the directive protects only the accumulated rights of employees up to the time an *undertaking is transferred.*"

This will come as a relief to contractors bidding for public-sector contracts, since pension provisions are often much more generous in the public sector. Last night Mr John Hall, director-general of the Cleaning and Support Services Association, said the judgment as "very useful".

He said: "It clears the air on one of the major issues hanging over the government's con*tracting-out programme.*"

However, a second test case completed yesterday at the tribunal confirmed that the directive can apply to contracting-out of public-sector services.

THE UK and France have agreed to join forces in persuading the European Community to change the Acquired Rights Directive 1977. Implementation of the directive in the UK through the Tupe regulations has created uncertainty over its application when public services are contracted out.

The French government is believed to be concerned about the impact of the directive on its plans to privatise state-owned banks and industries.

***At Monday's summit* meeting, Mr John Major, the prime minister, and Mr François Mitterand, the French president, agreed to include the directive in 24 items of EC legislation they wish to be reviewed.**

In a judgment over a refuse collection contract in Eastbourne, East Sussex, the tribunal said that the pay and conditions of staff whose jobs are contracted out could be covered by the Transfer of Undertakings (Protection of Employment) regulations 1981, which implemented the directive in UK law.

This appears to confirm advice given by the government's law officers in the spring that recent cases in the European Court of Justice have widened the scope of the Tupe regulations to compulsory competitive tendering.

Where the regulations apply, they protect the jobs and conditions of employment of the workforce when their jobs are transferred to another employer.

However, the Eastbourne judgement was immediately greeted by Mr Jack Dromey of the TGWU general union as "a historic verdict".

Mr Dromey invited the government to offer compensation to those who have lost their *jobs or pay as a result of con*tracting out.

Otherwise they would face thousands of claims for compensation for not properly implementing EC legislation.

Accountants face growing litigation

By Richard Lapper

THE BIG accountancy firms face mounting litigation from creditors and investors seeking to recover losses from insolvent or troubled companies, Lafferty, the business information group, says.

Lafferty says in a report to be published next week that the "threat of litigation has taken on new dimensions" in the US, with accountants held responsible for much more than "obvious malpractice". A sharp fall in share prices is sometimes enough to trigger a lawsuit against auditors.

In the 1992 financial year spending on litigation of the six leading US accountancy firms amounted to 12 per cent of US accounting and auditing revenues, compared with 9 per cent in 1991.

Lafferty says 1992 "will likely go down as the worst year ever for litigation against accountants".

Statistics in the report show that worldwide there have been 12 settlements involving payouts of \$20m (£13.4m) or more. Four of the cases related to a \$400m settlement by Ernst & Young when it was sued by three US government bodies for its role in the failure of US savings and loans institutions.

World's biggest awards against accountants and auditors 1992-93

Accountant against whom award made	Plaintiff	Accountant's client	Amount of award or settlement	Country
1 Ernst & Young	Federal Deposit Insurance Corporation	United American Bank of Tennessee and others	\$112m*	US
2 Coopers & Lybrand	*Bankruptcy trustees*	*Miniscribe*	*est \$95m***	US
3 KPMG and others	Investors	Wedtech	\$77.5m	US
4 Ernst & Young	Investors	American Continental Corp	\$63m	US
5 Coopers & Lybrand	Bondholders	Miniscribe	\$45-\$50m**	US
6 Ernst & Young	Resolution Trust Corp	Bexar Savings	\$43.7m*	US
7 Peat Marwick and others	Shareholders/creditors	Crazy Eddie Inc	\$42m	US
8 Ernst & Young	Resolution Trust Corp	American Pioneer Sav Bank	\$35.92m*	US
9 Arthur Andersen	Investors	Lincoln Savings & Loan	\$22m-\$30m	US
10 Pannell Kerr McGillivary	Teachers' Housing & Investment Co-op	Teachers' Housing & Investment Co-op	C\$32m	Can
11 Ernst & Young	FDIC	First Rep Bank Corp Texas	\$24m*	US
12 *Ernst & Young*	*Duke Group*	*Duke Group*	*est A\$35m*	*Aust*

*Notes: * Part of \$400m settlement between Ernst & Young and US federal government over failures of US savings and loans institutions.*
*** Part of \$140-\$145m settlements by Coopers and Lybrand in Miniscribe case* *Source: Lafferty Publications*

Ten of these cases were in the US but increasingly the profession is under attack elsewhere in the world.

Three of the five lawsuits which sought to recover losses of more than \$1bn have been launched outside the US. These include a claim for \$8bn in damages by the liquidators of Bank of Credit and Commerce International against Price Waterhouse and Ernst & Young.

The report says that accountancy firms in at least 50 countries have experienced one or more claims. Firms in at least 20 further countries may have claims pending.

Although the level of liability in continental European countries is low, the trend there is rising faster than in any other part of the world.

Last year, *for example,* French accountancy firms faced some 150 cases, twice as many as in 1991.

The report says that if all proposed legislation and regulation in the European Community is adopted, accountants practising in member states will be subjected to the harshest rules anywhere that govern claims and liability.

The Litigation Nightmare – a threat to public accounting firms worldwide. Lafferty Publications, IDA Tower, Pearse Street, Dublin 2. £549.

Business jet users accuse BAA of unfair practice

By Daniel Green

A LOBBY group backed by some of Britain's largest companies has lodged a complaint with the European Commission against BAA, alleging anti-competitive practices.

It accuses BAA, which operates London's largest airports, of unfairly excluding some business jets so that *more commercial aircraft on* scheduled flights can use the overcrowded runways.

Some companies using business aircraft have contacted the office of Mr Richard Needham, the trade minister, to argue that business aircraft should continue to have free access to Heathrow.

The export manager of one large manufacturing company said: "This is a serious issue. It could be the beginning of a trend to exclude small aircraft from major airports."

BAA acknowledged that it wants to give more landing slots to bigger aircraft and had cancelled some of the peak-time slots reserved for business aircraft. It said that a small aircraft's slot is twice as long as a normal slot because *it* has to wait until the turbulence caused by a preceding large aircraft has settled down.

Private aircraft account for 4 per cent of the traffic at Heathrow.

The lobby group intends to take BAA to the European Court in Luxembourg.

High Court rejects Maastricht challenge

By Robert Rice, Legal Correspondent

LORD Rees-Mogg yesterday lost his High Court attempt to block ratification of the Maastricht treaty.

In a short and precise judgment the court rejected his claim that the government was acting unlawfully by seeking to ratify the treaty without parliamentary approval.

Lord Justice Lloyd said that the court did not doubt the issues were "of great moment", but it was "an exaggeration to describe it as the most important constitutional case for 300 years".

The former editor of The Times was not in court to hear the decision. His son Mr Jacob Rees-Mogg said that his father had been unable to break a long-standing engagement in Switzerland.

He said that his father and his financial backers, who include the international financier Sir James Goldsmith, would consider the judgment in detail before deciding whether to appeal.

Mr Rees-Mogg denied that by bringing the action his father was merely making political mischief. "It's been done as an important constitutional issue. There's no question of my father doing it merely to cause trouble, none at all."

Lord Rees-Mogg was ordered to pay the government's legal costs. Mr Rees-Mogg said he did not know how expensive the legal challenge had been, but added, "it's not cheap".

Giving the court's judgment, Lord Justice Lloyd, sitting with Lord Justice Mann and Mr Justice Auld, said Lord Rees-Mogg had advanced three arguments.

First, by ratifying the social protocol the government intended to increase the powers of the European parliament without parliamentary approval as required by the 1978 European Parliamentary Elections Act.

Second, by ratifying the social protocol the government would be altering the content of EC law without parliamentary approval.

Finally, by ratifying Title V of the Maastricht treaty, which deals with a common foreign and security policy, the government would be transferring part of the royal prerogative to the European Council without statutory authority.

The judge said that the first argument failed because section 1(2) of the 1993 European Communities (Amendment) Act contained a clear and unambiguous approval by parliament of the Maastricht treaty as a whole, including all the protocols.

The protocols were ancillary or incidental to the Maastricht treaty and ratification of the treaty would automatically involve ratification of the protocols.

On the second issue, Mr David Pannick QC, for Lord Rees-Mogg, had argued that by ratifying the social protocol, the government would be altering community law under the Treaty of Rome, which was now the fundamental law of the UK, and parliament alone could change UK law.

Although the UK had opted out of the social chapter, the government had agreed to authorise the other 11 member states to effect it through EC institutions – and that could have an indirect effect on UK domestic law, Mr Pannick maintained.

But the judge said that a possible indirect effect on domestic law was "far too slender a basis on which to hold that parliament has impliedly excluded or curtailed the Crown's prerogative to alter or add to the Treaty of Rome".

Lord Justice Lloyd said the third argument was "the most interesting; but also the weakest".

Because Title V was an inter-governmental agreement it was possible for the court simply to accept that since no question of domestic law was involved it had no jurisdiction to consider the matter.

But assuming the issue was justiciable, even if Title V was read "with an eye most favourable to Mr Pannick's argument, it cannot be regarded as a transfer of prerogative powers," he said.

Title V did not entail an abandonment or transfer of prerogative powers; but an exercise of those powers, he added. It should be read in the same light as the UN and NATO charters.

■ Christchurch a 'shout of rage' says Ashdown ■ Gould warns Labour about 'disturbing lessons'

Victor pledges to continue VAT fight

By Gillian Tett in Christchurch

MRS DIANA MADDOCK, the new Liberal Democrat MP for Christchurch, yesterday rounded off her by-election victory by returning to the issue that has always led her campaign – the government's proposal to impose value added tax to heating fuel.

Speaking in an atmosphere of Liberal Democrat jubilation – albeit tempered by the low-key political style that has marked Mrs Maddock's campaign – she said the people of Christchurch had "spoken for Britain". She pledged that VAT would be her first political battle on arrival in Westminster.

At her side Mr Paddy Ashdown, the party leader, said the by-election had been a "shout of rage" about the government's policies, and showed that the Liberal Democrats were the main opposition to the government in the south of England.

The Liberal Democrats said they had been taken aback by the size of their victory. Mr Ashdown warned: "It does not mean that we have got them [the voters] for ever. I will not predict general elections from by-elections – it's a mug's game."

On the other side of town, disappointed and exhausted Conservative party workers insisted that they would regain the seat at the next election. But Mr Rob Hayward, the Conservative candidate, conceded that the government would have to re-examine some areas of policy if it is to prevent further by-election defeats.

Speaking with the self-possession that has been the hallmark of his campaign, he said he had lost "because the voters of the constituency wanted to register a determined protest".

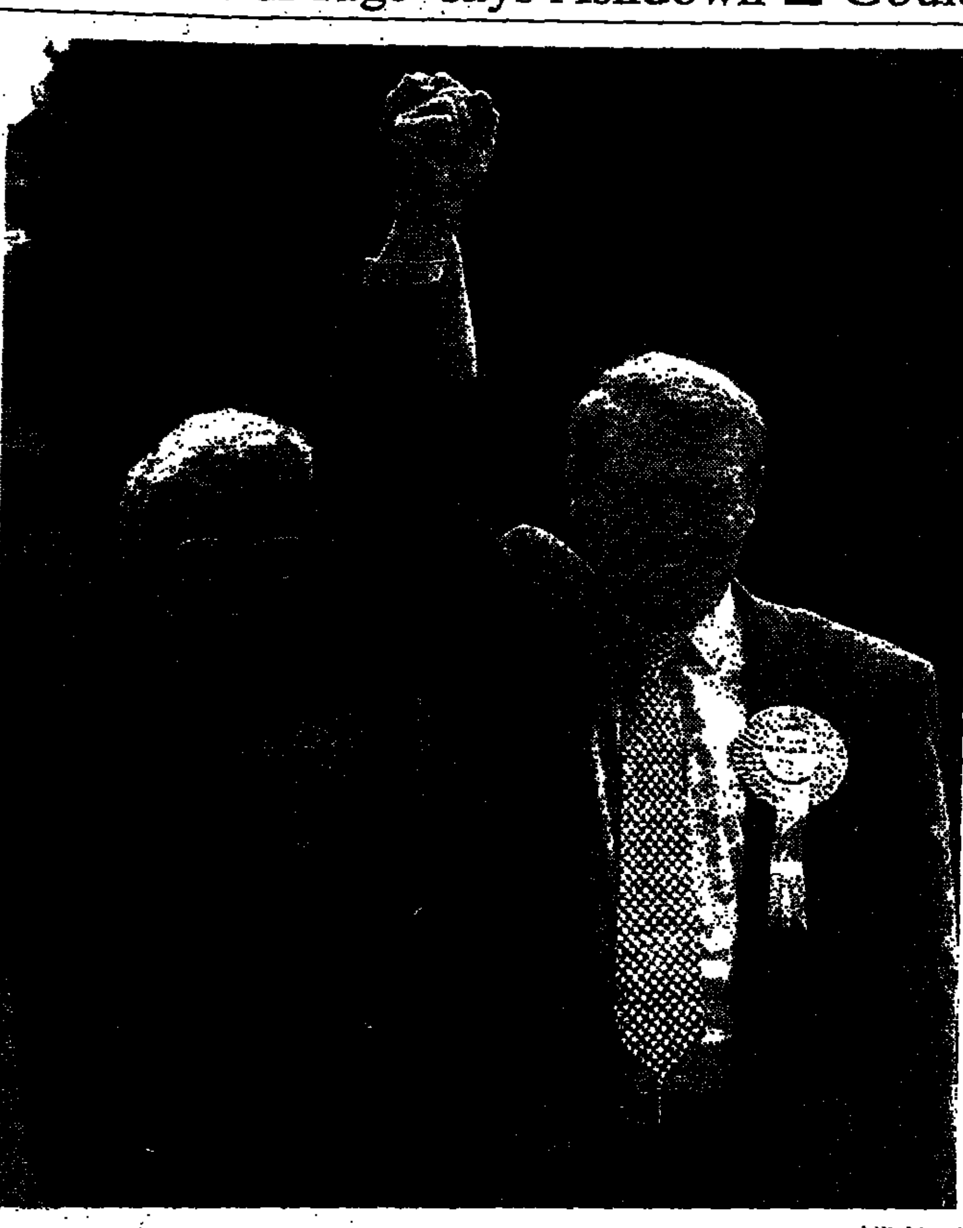
Away from the television cameras, some local Conservatives suggested that Mr Hayward's lack of local roots and the fact he is divorced had weakened him in this highly traditional constituency.

His agent, Mrs Judith Jamieson, denied that Mr Hayward was becoming a scapegoat, but admitted that the size of the swing had taken many aback.

But in spite of the political tremors that the by-election has sent to Westminster, the mood on the streets of Christchurch yesterday remained – as always – restrained.

A few holidaymakers and shoppers politely applauded Mrs Maddock as she made a triumphant tour in an open-topped bus, surrounded by a thicket of television cameras.

But some of Mrs Maddock's constituents warned that she remained on probation. Pensioner Mrs Lily Warner said: "I voted for her this time because I was fed up. But I don't know what I'll do next time. It all depends on her."



Ashley Ashwood

Victorious: new Christchurch MP Diana Maddock with Liberal Democrat leader Paddy Ashdown

Ministers urge Tories to unite on policies

By Alison Smith

SENIOR MINISTERS yesterday began a concerted effort to unite the Tories behind a strategy of sticking to their policies, after the Conservatives' disastrous showing in the Christchurch by-election.

But there were warnings from some Tory backbenchers that the clear message after the overthrow of what was a Conservative stronghold just 15 months ago was that the government should change course.

While Mr Paddy Ashdown said that his party's emphatic victory showed the Liberal Democrats "on a clear upward curve", Mrs Margaret Beckett, Labour's deputy leader, sought to shrug off the party's lost deposit in the Dorset constituency. But other Labour MPs expressed fears about the result's implications for Labour in the south of England.

The Tory fightback was led by Mr Douglas Hurd, the foreign secretary, who attacked the "incoherence" of Liberal Democrat policies over the social chapter, value added tax on fuel and the role of British forces in Bosnia.

Mrs Virginia Bottomley, the health secretary, urged the party not to look for people or policies to blame for the defeat, since it had already suffered so much from appearing disunited. "No one should write us off; we will come fighting back, stronger than before," she insisted.

Conservative MPs seemed inclined, however, to ignore her call not to seek scapegoats, putting Sir Norman Fowler, the Tory chairman, and the imposition of value added tax on domestic fuel clearly in the firing line.

There were also longer-term warnings about the position of Mr John Major himself unless the party's fortunes improved.

Mr William Powell, MP for Corby, said that at the very least, ministers should not go ahead with raising VAT on household fuel bills to 17.5 per cent in 1995. Other Tories said it was a sign that taxes themselves were so unpopular with erstwhile Tory voters that there should be cuts in public spending rather than any tax increases in the November Budget.

Mrs Teresa Gorman, MP for Billericay, compared the prime minister with a door-to-door salesman, telling BBC radio that in politics as in business, "if people don't like what you're offering they will slam the door in your face".

Mr Ashdown hailed the Liberal Democrats' success as confirmation of voters' determination to see better government in Britain, and said it was fresh proof that in the "heartlands of the south" only his party could beat the Tories.

Mrs Beckett's insistence that across the south of England Labour was far more often the challenger to the Conservatives than the Liberal Democrats, was somewhat undermined by Mr Bryan Gould, Labour MP for Dagenham and a former shadow cabinet member, who said the result had "disturbing lessons" for the party.

He said the party should recognise that it was still not identifying enough with voters in the south and that it needed to develop policies they would find "meaningful and attractive".

Christchurch by-election

Candidate/party	Votes
Diana Maddock (L Dem)	33,164
	(General election 13,612)
Rob Hayward (Con)	16,737
	(36,627)
Nigel Lickley (Labour)	1,453
	(6,997)

Alan Sked (Anti-Maastricht Anti-Federalist) 878; Andrew Bannon (Conservative Candidate) 357; Lord David Sutch (Monster Raving Loony) 404; Peter Newman (Sack Graham Taylor) 80; Tara Bardot Jackson (Buy the Daily Sport) 67; Peter Hollyman (Save the NHS) 60; John Crockard (Highlander IV Wednesday Promotion Night) 48; Mark Griffiths (Natural Law) 45; Mark Belcher (Ian for King) 23; Karl Fitzhugh (Alfred Chicken) 18; John Walley (Rainbow Alliance) 16

Lib Dem Majority: 16,427 (C: 23,105)

Conservatives seek comfort from history

David Butler analyses the result and concludes that while the government has no excuse for the dramatic loss, time will ease the burdens of defeat

CHRISTCHURCH was not quite the record-breaking result that some have suggested.

The 31 per cent drop in the Conservative share of the vote far exceeds their worst performances in the Thatcher-Major era – 24 per cent in Richmond in 1989 and 23 in Ribble Valley in 1991 – but it was topped by the 32 per cent Tory slump in Rochdale in 1958 and even by Labour's drop of 38 per cent in Bermondsey in 1982.

The Conservatives have been quick to find comfort in history. Their worst by-election disaster in each of their last four parliaments in office were reversed in the subsequent general election.

But the Conservatives have no excuses. Nothing in the constituency or the candidate or the campaign was especially adverse. They suffered from the greatest anti-government swing on record because the government is unpopular – the public has, at least temporarily, lost confidence in the Conservatives' ability to govern.

The Liberal Democrats have learned the art of not boasting during a by-election campaign and even their stupendous triumph is being downplayed – victory has too often been followed by disappointment.

But the triumphs of Newbury and Christchurch will enable the party to recruit money and candidates in a way that will add to their credibility when they come to try to pick up a few seats in the Euro-elections next June. Although they are the largest Liberal party in the Community, the first-past-the-post electoral system has denied them representation at Strasbourg.

For Labour to find comfort it must look to its nationwide poll standing – 44 per cent, 17 points ahead of the Tories and 19 points ahead of the Liberal Democrats.

In Newbury, its vote fell from 6 per cent to 2 per cent; in Christchurch the fall was, proportionately, even greater from 12 per cent to 6 per cent.

Labour had prudently hinted in advance that its supporters were welcome to be beastly to the Tories in any way they saw fit – a tacit encouragement to the tactical voting that has become increasingly prevalent.

But tactical voting does not work symmetrically. Most Labour voters prefer Liberal Democrats to the Tories.

The Liberal Democrats are more evenly divided. There are few seats where tactical voting greatly helps Labour.

Mr Paddy Ashdown, the Liberal Democrat leader, cannot countenance a formal pact with Labour just because it would drive so many of his supporters into the arms of the Conservatives.

One feature of government by-election disasters is that the record swings have always been to the centre, not to the main opposition party.

Although the Christchurch swing would oust the Conservatives in every seat, the movement would surely be much less in seats where Labour was the challenger.

This year the Liberal Democrats have scored two huge victories in the safest of Conservative seats.

No one expects places of this sort to fall in a general election. And there's the rub for Mr Ashdown – it is in the safer Conservative seats that his party fares best.

Liberal Democrat strength is not in the right places. If all three parties won equal votes in the next election, Conservatives and Labour would each get more than twice as many seats as the Liberal Democrats.

Thursday confirms the new law – no government seat can be held in a by-election. No Tory MP can hope for a peerage or a plum job while this parliament lasts and no seat could be found for Mr Chris Patten, Hong Kong governor, or any alternative saviour.

Mr John Major's Huntingdon, the safest of all Conservative seats, would have been lost by 10,000 on the Christchurch swing.

The only vacancies will come from mortality. Actuarial calculations suggest that six more Conservatives MPs are likely to perish before the next dissolution. In the previous three parliaments, death caused Tory vacancies at the rate of two per year.

Six by-election losses would reduce the government's majority from 17 to five – but, with luck, that would not happen until 1996.

Even the most sensational of by-election results creates but a small ripple in the ocean of time. The impact of Christchurch will be deadened by the summer recess.

When the politicians and commentators return from their holidays, their eyes will be on the party conferences.

Will the unions behave themselves for Labour? Will the Euro-sceptics behave themselves for the Conservatives?

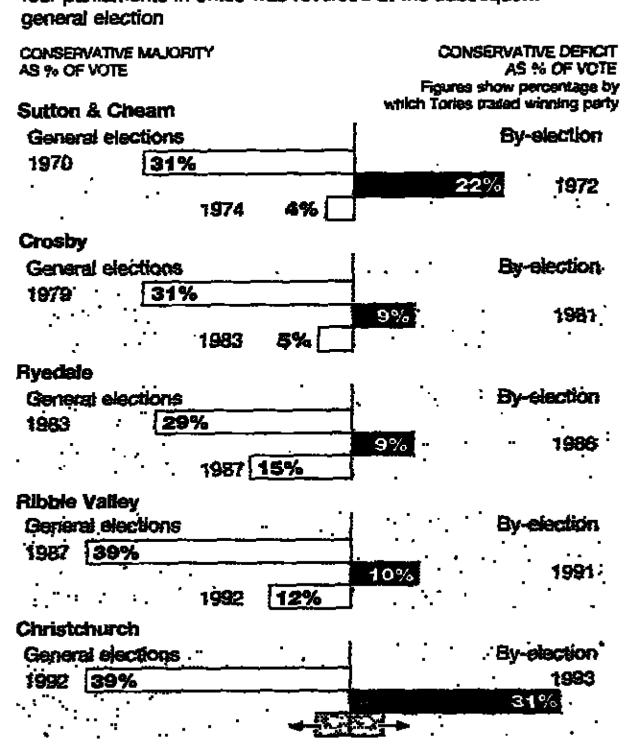
The government must hope for no more by-elections, but an economic recovery may be slow and the lag between economic recovery and political recovery may be considerable.

Mr Major and his party have a rough road ahead. But one can exaggerate how much Christchurch adds to their burdens.

The author is a fellow of Nuffield College, Oxford

Conservatives can take comfort from history

The Conservatives' worst by-election disaster in each of the last four parliaments in office was reversed at the subsequent general election



Generators may face controls

By Michael Smith

BRITAIN'S TWO largest electricity generators could be subjected to price controls or be asked to sell plant after Professor Stephen Littlechild, industry regulator, completes a review of their costs and profit margins later this year.

Prof Littlechild raised these possibilities yesterday as he announced the results of a preliminary inquiry into why selling prices in the wholesale electricity pool have risen by 20 per cent this year.

He indicated these could be alternatives to referring National Power and PowerGen to the Monopolies Commission if he found that they had increased the prices they charge to the electricity wholesale pool excessively.

They would be preferable to profit controls, he said.

Prof Littlechild said the many electricity customers who had complained about the pool price rises were right to be concerned.

"In a competitive market, customers' interests would be paramount. This is not yet the case in the electricity market."

The generators received average pool revenues which exceeded their avoidable costs. "The need to cover avoidable costs does not justify any further price increases. Nor did it justify an increase as high as the recent one (since April).

"Customers assert that prices would be lower in a more competitive market. The generators could counter these assertions by competing more aggressively on the pool price." Prof Littlechild said the electricity pool should base prices on both demand and supply. One suggestion is that demand side bidding be introduced, whereby consumers could be paid if they agreed to stop taking electricity when prices rose to a certain level.

The regulator said that the pool should also look closely at rules under which generators are compensated if plant is constrained off the system by the National Grid, which operates it. Prof Littlechild is also asking the pool and the National Grid to consider a "more appropriate division of responsibilities" for transmission and administration costs.

Many of the costs were simply passed on to the customer. They could be met by the grid taking wider responsibility and recovering money through charges.

Existing arrangements did not provide enough incentive to cut costs, he said.

Alternatively some of the costs could be dealt with by the pool rather than the grid.

Pool Price Statement, July 1993. Offer, Hagley House, Hagley Road, Edgbaston, Birmingham, B16 8QG. Free.

Lloyd's chief defends loss-making syndicate

By Richard Lapper

MR STEPHEN MERRETT, deputy chairman of Lloyd's of London, yesterday restimulated controversy in the insurance market by criticising a Lloyd's investigation into losses by one of his syndicates.

The review was appointed in 1991 when losses from 1983, left open because of uncertainty about the eventual cost of claims, exceeded £19.6m.

Syndicate 421, one of a number managed by Merrett Holdings, specialised in so-called long-tail business in which claims can occur many years after the policies' inception.

Mr Merrett said in a letter to the 341 Names, the individuals whose assets support the market: "In our opinion the report produces virtually nothing that could be thought to be new and relevant information." The Names face losses of £57,000 for each £10,000 traded.

The review focuses on the underwriting of seven run-off contracts, which generated most of the loss.

Losses on the contracts, which reinsured other syndicates and insurance companies, initially arose from US asbestosis claims.

The loss review says that "the risks assumed resulted in syndicate 421 having a substantial exposure to potential adverse developments on old years of account in respect of much older and larger syndicates, an effective concentration of risk into a new and small syndicate".

Mr Merrett said the loss review should have looked more specifically into the circumstances surrounding the deterioration of results in 1990, when claims from environmental pollution accounted for almost 90 per cent of a cash call for £5.6m.

Bail sureties for Nadir called in

FRIENDS OF Mr Asil Nadir were yesterday ordered to surrender £1.15m they promised as bail surety for the fugitive tycoon, Tim King writes.

The money was part of a record £3.5m bail which Mr Nadir skipped in May when he escaped to northern Cyprus rather than face charges of false accounting and theft.

Mr Ramadan Guney, the north London businessman who promised a £1m bail surety for Mr Nadir, was yesterday ordered to forfeit £650,000. Mr Guney appeared in court after the case had earlier been deferred on the grounds of his ill health.

At the Old Bailey Central Criminal Court Mr Justice Tucker gave Mr Guney six months to pay and imposed a sentence of two years' imprisonment if he defaulted.

Mr Nadir's former wife, Mrs Aysegul Nadir, had promised £500,000 surety. Mr Justice Tucker ordered that she pay that sum to the court within 28 days or go to prison for 18 months. He expressed doubt that she would pay since she was reported to be in northern Cyprus.

The judge said he was satisfied that Mr Guney had played no part in Mr Nadir's flight or aided his escape.

Mr Guney's solicitor Mr Rick Shearman said the substance of his client's case, which the judge heard in private, was that the surety had not been renewed when Mr Nadir's trial started.

Court refuses to lift BCCI freeze

THE High Court yesterday refused to lift orders for the unlimited worldwide freezing of assets granted to the liquidators of BCCI in support of their $10.5bn (£7bn) claim against Sheik Khalid Salem Bin Mahfouz and retired Pakistani banker Mr Haroon Rashid Khalon.

The orders, which make provision for payment of legal costs and living expenses of $10,000 a week each, were originally granted last December. Their continuation had been contested by Sheik Khalid and Mr Khalon.

The judge also refused an application by Sheik Khalid to limit the order against him to $1.5bn.

Consultation on pension proposals

THE government is asking for opinions on proposals that could give local authorities a free hand in setting pension benefits for their staff.

The Department of the Environment proposals would change the local government superannuation scheme, in England and Wales. Only new employees would be affected.

More than £33bn is invested in the scheme.

Company fined over five deaths

HICKSON and Welch, the chemicals company, was fined £250,000 yesterday over an accident in which five workers were killed at its plant at Castleford, West Yorkshire.

Leeds Crown Court heard that a 200ft-high flame from a distillation tank destroyed a portable building and badly damaged an office block.

The company admitted failing to ensure the safety of employees. It was ordered to pay £150,000 costs.

Lloyd's Names win appeal ruling

THE Court of Appeal yesterday ruled that Lloyd's Names unable to pay their losses can sue their agents for negligence.

Names – individuals whose assets support underwriting at Lloyd's insurance market – originally won the case in the high court in May.

Children head Welsh speakers

THE HIGHEST proportion of Welsh speakers is found among children, the 1992 Welsh social survey found. A third can speak the language, compared with 21.5 per cent of the overall Welsh population. There are estimated to be 368,000 fluent Welsh speakers.

Tobacco warnings

HEALTH WARNINGS will be extended from cigarettes to packs of cigars, pipe and hand-rolling tobacco and snuff from the start of next year under government regulations.

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Pragmatism v dogmatism

BATTERED AND drowsy, the European exchange rate mechanism looks to be on its last legs. Miraculous recoveries have been known before. But unless Europe's finance ministers are able to hatch a plan over this weekend which can promise to deliver a sizeable cut in French interest rates very soon, the prospects for fixed exchange rates surviving in Europe, other than among a small core of Germany's north European partners, look slim. What is needed is a pragmatic and face-saving escape route for the French government which can deliver lower rates without requiring the abandonment of its European ambitions and commitments. It is in Bonn, more than Frankfurt and even Paris, that the hard thinking must take place.

Germany's political leaders, rudely awakened in their holiday retreats, must put past errors and disagreements behind them. Yes, Bundesbank council members can rightly complain that it is the German government's budget profligacy that has required them to keep interest rates so high. Yes, German government ministers can mutter that France should not have resisted a upward realignment of the D-Mark when it still made sense.

Nor are French remonstrations about the Bundesbank's lamentable performance over the past week likely to help in the search for a route out of the current crisis. Reasonable people can disagree about whether recession-troubled Germany really does face a short-term inflationary threat. But it was perfectly within the Bundesbank council's rights to resist a cut in its discount rate if it truly believed that such a cut would run counter to its declared aim of securing medium-term price stability in Germany.

But the French can complain about the Bundesbank's failure to quell the widespread rumour before Thursday's council meeting that a discount rate cut was imminent. Indeed, by cutting the repo rate almost to the discount rate floor on Wednesday, the bank actively fed those rumours.

Ruled out

Still, the substance, not the style, of the Bundesbank's decision was what set off yesterday's turmoil on the foreign exchanges. For the Bundesbank has effectively ruled out a cut in interest rates in the ERM, as currently constituted for some weeks. This realisation was enough to undermine confidence in the ability of Belgium, Denmark and, most important, France to live with the high real interest rates that Germany's fiscal difficulties are transmitting across Europe. Intervention, on an unprecedented scale in Europe's monetary history, could not keep the French franc from falling out of its ERM bands.

The future of Franco-German monetary relations has thus reached a crucial juncture. The time has now passed when public statements of commitment to current parities from the French minsters can do much good. Regardless of the hopes and wishes of the French government, the markets do not now appear to believe that France can maintain interest rates at their current levels. The gap between the market rates and prime rates is too large, the banking system too weak, the French economy too troubled and the erosion of public support for the franc fort policy, in the face of rising unemployment, too rapid. Any effort to sweat next week out will probably end in failure.

Economic reality

Nor is a realignment, or modest widening of bands, likely to buy anything more than a fleeting breathing space. France, Belgium and Denmark are not burdened by uncompetitive exchange rates, but by much higher interest rates than their excellent inflation performances require. A realignment cannot work unless it persuades the Bundesbank to cut German interest rates. But Germany's inflationary pressures are in the service sector, where the impact of a higher exchange rate is negligible. In the private sector, where a stronger D-Mark would bite, deflation is currently the problem.

The only other alternative, short of a rapid and politically improbable move to monetary union, is temporarily to sever the Franco-German monetary link. France can no longer afford to ignore the economic reality that Germany's particular problems demand a tighter monetary policy than France can sustain.

What is needed is a way to break the link in a manner consistent with the French government's political pledges: to stay in the ERM and to honour the spirit of the Maastricht treaty. The solution is for the German government to propose what now seems economically rational, if politically very difficult: the temporary departure of the D-Mark from the ERM. The remaining ERM member countries should then announce an immediate 2 percentage point cut in interest rates, perhaps accompanied by a move to narrower bands.

France may blanche at such an outcome. But, by choosing pragmatism, both Paris and Bonn would signal a partial but honourable retreat from their joint monetary aspirations. Trying to soldier on looks increasingly likely to deliver an inferior outcome, and in a much more ignominious fashion.

Handbagged by grey power

Can Major rebound after the humiliation of Christchurch, asks **Philip Stephens**

A bloody nose in Newbury. A kick in the teeth in Christchurch. Mr John Major cannot take much more of it before he crashes to the canvas.

After the loss of Newbury in May, the prime minister sacked his chancellor. The ghost of Mr Norman Lamont lives on. If there was a single factor which ensured the government would be humiliated in Christchurch, it was the decision in his last Budget to impose VAT on domestic fuel.

But the Christchurch result said much more about Mr Major's administration - and his premiership. The government and its leader have fallen out with their own people. The footsoldiers of Toryism in southern England are seething. Unless he wins them back, the prime minister is doomed.

The by-election result was as awful as the government's worst fears. By the final days of the campaign, ministers had given up any hope of holding what only a year ago was their 15th safest seat.

In the event, the 16,427 majority secured by Mrs Diana Maddock, the less-than-inspiring Liberal Democrat candidate, broke all postwar records. No Conservative government since 1945 has seen a 35 per cent swing against it. Nor has any previous administration witnessed such a dramatic fall in its own vote.

The traditional refuge after Tory by-election disasters – blaming the local activists' dud candidate – is not on offer this week. Mr Rob Hayward, an experienced former MP, made his mistakes. But those on the ground judged that, on balance, he won rather than lost votes.

Mr Major's reaction was predictable. Christchurch marked the end of a wretched year for his government. But it was backward- not forward-looking. The electors were responding to the economic recession and to the disarray caused by the Tory civil war over Europe.

He could draw comfort from Labour's dismal performance. Mr John Smith may claim that his party's lost deposit in Christchurch was the inevitable result of tactical voting. But the outcome – coupled with a similar humiliation in Newbury – can hardly enhance Labour's pretension to be a party which can again win seats across the south of England. Mr Smith, embroiled in his own, damaging, internal dispute with the trade unions, cannot rely on the government's mistakes to deliver votes to his party.

The long summer parliamentary recess offers Mr Major a respite. The Conservative party at Westminster has been denied its opportunity to panic. The turmoil in European currency markets has raised a question mark over prospects for the economy, but the odds are that the British upturn will continue to take hold. Another interest rate cut might sweeten the October party conference. Maastricht is history.

Wise souls on the Tory backbenches believe time will prove the commentators wrong: those who follow events at Westminster have made the classic mistake of projecting into the future the mood of the recent past.

Mr John Biffen, the eloquent elder statesman of the liberal Tory right, left for his summer break this week predicting the "black misery" of Christchurch would be followed by much calmer autumn waters. As economic recovery began to be felt by the voters, Mr Major would have another chance to get to grips with his domestic policy agenda.

But drawing lines under past disasters has become quite a habit for this government – under its forced exit from the exchange rate mechanism, under coal industry closures, under turmoil in the schools, under Norman Lamont. The lines rarely seem to last.

For all the brave ministerial speeches yesterday, the cabinet looks tired and purposeless. Mr Major does not look prime ministerial; the voters judge him weak. He has still to articulate a convincing political agenda.

Mr Michael Heseltine's energy is sorely missed. Mr John Patten has been sidelined by a stress-related stomach illness. Others around the cabinet table are preoccupied with survival, not buzzing with ideas.

Mr Kenneth Clarke is an exception. But Christchurch has narrowed greatly the options for what must be a tough November Budget. Senior Whitehall officials predict he will resist the pressure from the Tory backbenches to delay the introduction of VAT on fuel. It was not his policy but he has defended it vigorously.

But the voters have delivered a warning that they will not tolerate further tax or spending changes which fall heavily on the government's supporters. Grey power has come of age in suburban England.

The chancellor might as well rule out now any further extension of VAT beyond, perhaps, to newspapers. There will have to be generous compensation to offset the pain of higher fuel costs. Every proposed saving in welfare benefits and health service provision will now have to be weighed against the reaction of the once-loyal battalions of home counties pensioners now marching under Mr Paddy Ashdown's banner.

The Liberal Democrat leader was wise yesterday not to draw extravagant conclusions from the party's recent undoubted successes. There was too much talk in the 1980s of "breaking the mould". Mr Ashdown's troops remain preoccupied with local rather than national politics. The team which Mrs Maddock will join at Westminster is hardly full of sparkling talent.

Mr Ashdown has yet to establish a coherent national strategy for his party but he is capitalising – like Mr Ross Perot in the US last year – on the mood of anti-politics which has swept through the west.

Taken together, Newbury, the county council elections on the same day, and Christchurch, have seen the Liberal Democrats advance steadily eastwards from their West Country strongholds. The party is beginning to entrench in areas which the Conservatives have long taken for granted.

Up to two dozen Tory MPs are now looking anxiously over their shoulders at the threat to their seats come the general election. They are warning the prime minister that it will take more than a gentle economic recovery to erase the bitterness cause by the "betrayals" of the past year. They are reminding him that they represent the difference between Conservative and Labour government. If he does not pay heed, they will join the disenchanted and dispossessed on the Tory backbenches who have already given up on Mr Major's leadership.

Fuel for thought on VAT

A Tory party memo has found its way to **John Willman**

Chancellor,
I thought you might welcome a memorandum setting out the policy options over the extension of VAT to domestic fuel and power, widely blamed for our humiliation in the Christchurch by-election.

I assume that you do not wish to withdraw the extension – popular though this would be. VAT on domestic fuel at 8½ per cent in 1994 will raise almost £1bn; the second-stage increase to 17½ per cent in 1995 will raise £2.3bn a year thereafter. Unless you put up other taxes to raise similar amounts, the markets would see this as a fatal weakening in your resolve to curb government borrowing. The Treasury gilts people would have a fit.

I read in the press that you thought about going ahead with the first-stage rise to 8½ per cent in 1994, but scrapping the second-stage increase. The same newspapers say that the deficit would be made up by extending VAT to other zero-rated items such as food and children's clothes. I assume this bizarre suggestion was designed to frighten backbenchers away from scrapping VAT on domestic fuel.

If you are going ahead with VAT on domestic fuel, quick action is needed to substantiate your predecessor's pledge to "help people on low incomes". There is good news and bad news, chancellor.

The good news is that you can help *most* people on low incomes – though it will swallow up about a third of the additional revenue from the rise in VAT.

The bad news is that you can't help everybody. Worse, you can only compensate people for average rises in fuel bills. People with higher-than-average bills will get less than they need and will still feel aggrieved. People who get more than they need are unlikely to draw attention to this.

I understand that Peter Lilley [social security secretary] is anxious to announce a package at the party conference in October. Here are some points to think about:

● Don't make the mistake Mr Portillo [chief secretary to the Treasury] made of saying compensation for higher fuel prices can be left to the annual uprating of social security benefits in line with the retail prices index. First, uprating is retroactive – so pensioners, the disabled and low-income families would get a benefits increase only after a year of paying higher fuel bills. Second, most people know the poorest households spend a higher-than-average proportion of their income on keeping warm and need more than average compensation.

● Paying an extra 80p a week to people on means-tested benefits from next April would compensate them for VAT at 8 per cent on the average fuel bill of the poorest 20 per cent of households, according to our Social Security Advisory Committee. That means finding about £360m next year and £720m a year from 1995 when the second-stage increase is imposed. This looks cheap at the price.

● We need some way of dealing with the criticism that the fuel price increases will also hit many pensioners just above the income level for means-tested benefits. I suggest we put a decent sum – say £100m – into a scheme to provide them with home insulation grants. This would also bolster our green justification of the VAT increase.

Politically, the cost of this package, more than £800m when the full VAT increase is imposed, is a small price to pay. You could always cover the cost by imposing VAT on newspapers which would raise more than £1bn and teach the treacherous tabloids a lesson.

MAN IN THE NEWS: ***Dan Rostenkowski***

Fixer who may come unstuck

It is the best of times and the worst of times for Mr Dan Rostenkowski.

The burly Chicago Democrat has been in his element, bullying and cajoling his congressional colleagues towards a deal on President Bill Clinton's budget. As chairman of the Ways and Means committee of the House of Representatives, Mr Rostenkowski is, as always, central to tax negotiations.

But he remains the target of a two-year criminal investigation by federal prosecutors who have requisitioned a dozen years of his cheques, bills and campaign documents, and subpoenaed his staff, his friends and his daughters.

Last week, Mr Robert Rota, the former House of Representatives postmaster, pleaded guilty to three misdemeanour charges, including aiding "Congressman A" to embezzle at least $21,300 between 1985 and 1991 by giving him cash in exchange for office expense vouchers made out for stamp purchases.

The amounts and dates of the vouchers filed with the court match those listed in separate House records for Mr Rostenkowski.

Mr Rostenkowski last week reaffirmed that he was "innocent of any wrongdoing", and no charges of any kind have been filed against him.

But Mr Rota's plea has made many in Mr Rostenkowski's two home cities of Washington and Chicago conclude that it is only a matter of time before he faces indictment, and with it, under Democratic Party rules, removal from the Ways and Means chairmanship.

His critics have often dismissed him as a typical Chicago machine politician, and indeed, like his mentor, Mayor Richard Daley, who brought the system of patronage and political favours to perfection in his rule over the city from 1955 until his death in 1976, he has always known the importance of getting his supporters' streets swept and finding jobs for their nephews.

In his 20s, when trying to make it as a professional baseball player, he trimmed his name to Rosten, but regained the -kowski when he entered politics, aged 24, following in his father's footsteps as a member of the Illinois state legislature.

He still lives in the house where he was born in a Polish-American community on Chicago's north-west side, and keeps only a sparse, one-bedroom flat in Washington. His wife, LaVerne, does not come to Washington.

He still delivers for Chicago, winning the city regular federal money for roads, transit systems and public housing.

Mr Rostenkowski is also defiantly old school in his way of doing business, which involves a mastery of the art of compromise, backed up by endless loyalty and considerable courage. meaning what precise

He is unmatched in his ability to read the mood of the House, to sense the exact combination of concessions and bullying that will be needed to strike a deal.

His legislative monument is probably the 1986 tax reform, which lowered income tax rates in exchange for the elimination of a host of deductions and loopholes.

The measure never commanded much popular support, but Mr Rostenkowski manoeuvred it through a reluctant House making concessions only to members who would promise to back the bill.

It finally put paid to Mr Rostenkowski's earlier reputation for political laziness for being quick to shoot down a bill that he judged would not pass the House, but slower to do the hard work needed to get tough measures into law.

As chairman he demands the same from members of his Ways and Means committee, which has jurisdiction over almost all the revenue legislation and almost half of the spending that passes through Congress.

He has little patience for the Senate, whose convoluted procedural rules he finds impede the constructive work of legislation, and none at all for senators who retire in frustration.

"You don't quit. You fix the machinery," he says.

He has no time at all for members of Congress who condone public criticism of their institution, reserving particular scorn for those who seek to curb their own pay.

"Sure there are perquisites that come with the job. But you know as well as I do that perks can't make up for the birthdays, ballgames, holidays and meals that we miss," he says.

Making no secret of his belief that he is worth a great deal more than his congressional salary of $133,600 a year, Mr Rostenkowski lives a lifestyle that systematically exploits these perks.

Travel, often to golfing events, is paid for by business and lobbying groups; and meals by Mr Rostenkowski's campaign fund or his political action committee, which raises money to support other candidates.

Blurred lines between political and social activities are not unusual in Congress.

But few can match the chairman of Ways and Means in his ability to reap the rewards of office.

Indeed, Mr Rostenkowski's skill at stretching his perks to the limit is the reason why many colleagues find it hard to believe that he would have gone beyond those limits. Why would he embezzle small change from the House post office when he could legally have pocketed more than $1m from his campaign fund if he had retired last year, under a law which left longserving members of Congress subject to older, looser campaign finance rules.

The question hangs unspoken over the conference room in which House negotiators, led by Mr Rostenkowski, argue with their Senate counterparts over a compromise budget bill and complaining about the "do-nothing" Senate's inability to pass anything with even the slightest grain of controversy.

For all the reformism of the last 20 years, in which clean politics has come to outweigh good policy with US public opinion, it has often seemed over the last week of negotiations that Mr Rostenkowski's old school arm-twisting skills were as much in demand as ever.

The budget agreed by the Democrats yesterday, however, marks a victory for the "do-nothing" Senate and a failure for Mr Rostenkowski. It may also sound the knell for a politician from another era.

George Graham

Robert Horton, former boss of BP, is changing his abrasive image for the chairmanship of Railtrack, says **Richard Tomkins**

Hatchet honed to a softer point

If there is one thing worse than being spoken of unkindly, it is not being spoken of at all. Anyone who doubts it should consider the case of Robert Horton, the man who will take charge of Britain's 10,000-mile network of railway tracks next April when rail privatisation starts coming into effect.

Barely a year ago, in one of the most sensational palace coups in recent UK corporate history, Mr Horton was ousted from his position as chairman and chief executive of British Petroleum with accusations of abrasiveness and megalomania ringing in his ears.

Now, as chairman of Railtrack, the government-owned company that will take over the tracks from British Rail next year, he is preparing to re-enter the public arena in a job that will not only thrust him more than ever into prominence, but threatens to turn him into an object of vilification if he fulfils people's worst fears about what he might do.

Mr Horton, 53, is a government appointee to the chairmanship of Railtrack. That is bad enough for members of the rail lobby, since they mistrust ministers' commitment to the railways. But far more disturbing is Mr Horton's reputation as an axe man ("Horton the Hatchet", as the sobriquet has it), for it recalls the swingeing cuts to the railway system instigated by another Conservative government appointee in the 1960s – Dr Richard (later Baron) Beeching, then-chairman of the British Railways Board.

Mr Horton's reputation for toughness was built up during a 35-year climb to the top at BP. His record was that of an aggressive cost-cutter, first in the tanker and chemical divisions and then as head of BP's North American operations.

Mr Horton's determination and boundless ambition went down well in the US, where they satisfied notions of what captains of industry should be. But his American-style management methods were less well received in the UK when Mr Horton became chairman and chief executive in 1990.

He made it his mission to shake up a corporate culture stultified by bureaucracy. Head office committees were abolished, layers of management were swept away, and thousands of jobs went. Responsibility was delegated to unit managers, who were told that they would "own" problems and be "empowered" to deal with them.

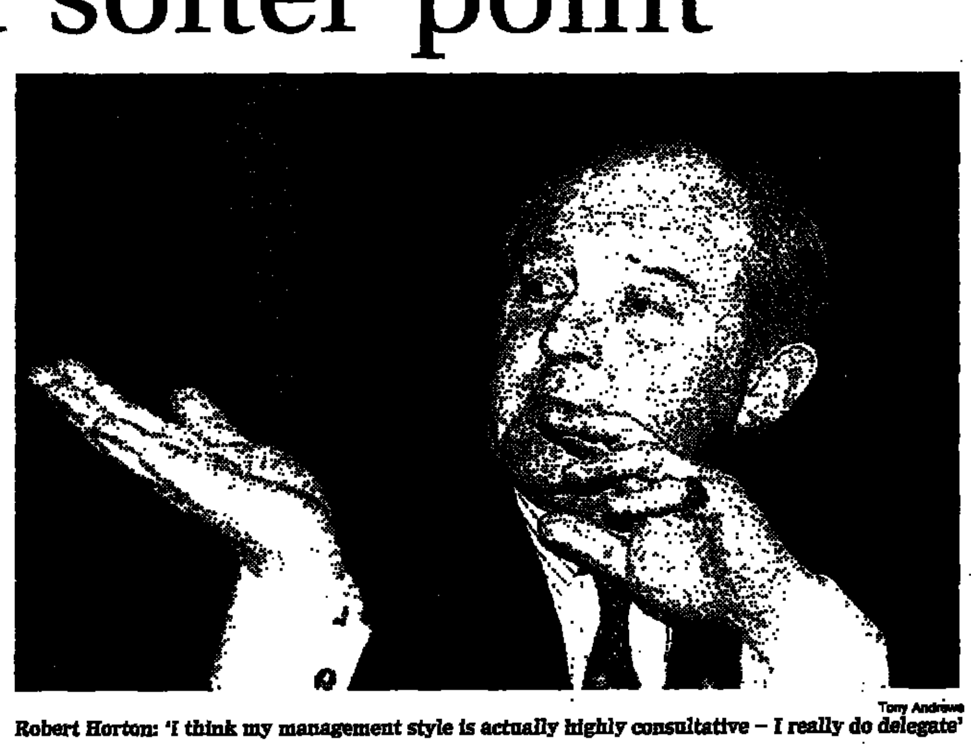
Unfortunately the changes coincided with adverse economic conditions which caused a sharp fall in profits. Worse, Mr Horton generated personal antagonism with his reputation for arrogance. "Because I am blessed by my good brain, I tend to get to the right answer rather quicker and more often than most people," he said in a notorious interview with Forbes, the American business magazine.

In June last year, his fellow directors decided they could no longer work with him and cast him out. But Mr Horton was not to stay out of the limelight for long. As chairman of Railtrack, he may have exchanged the £787,000 he earned in his last year at BP for a more modest annual salary of £120,000; he may have left BP's palatial City headquarters for a dowdy, down-at-heel office block opposite Russell Square tube station; but he is back.

He is also at pains to soften the harder edges of his image. Whatever else he may have been brought into Railtrack to do, he says, it is not to take an axe to the railway network. "It is very different from the situation I found in the oil industry, because BP had diversified into a lot of businesses that were not core, such as minerals and animal feed," he says.

"It seemed to me that an oil company ought to stick to being an oil and petrochemicals company. But railways are quite different: railways are a core activity in themselves, and I have absolutely no intention of being a Dr Beeching mark two."

Rather, he says, his goals are to improve the quality of the existing infrastructure and to increase capacity by installing better signalling systems and removing bottlenecks. "I believe in the efficiency of public transport, and far from wanting to reduce what is available, I want railways to become a more popular and more used mode of travel."



Tony Andrews

Robert Horton: 'I think my management style is actually highly consultative – I really do delegate'

If this sounds slightly suspect coming from someone whose previous business was making petrol for cars, Mr Horton is ready to acknowledge it. "Obviously with my background, I start from the point of view that the car is a great liberator for people who, 40 years ago, would not have travelled beyond the town they lived in," he says.

"But we are faced with a situation in which this cannot continue in an unfettered way because we live in a little island with a lot of people and a lot of beautiful countryside, and we don't want to see it turned into a concrete jungle."

The implication of that, says Mr Horton, is that motorists will sooner or later have to start paying more for the use of the roads, so encouraging a switch to rail for goods and passenger transport.

So is Mr Horton the railwayman's friend? It would seem so. One difficulty he cannot gloss over, however, is how he will fund the track improvements he wants at a time when the prospects of getting more money out of the government are close to zero.

An easy solution would be to raise the money from the train operators by inflicting high charges for the use of the tracks. But that is not Mr Horton's plan – nor, presumably, the government's – for it would mean either large and politically unacceptable fare increases or bigger state subsidies for the train operators.

Instead, the money will have to come from efficiency gains within Railtrack's operations. And this, above all, is why Horton the Hatchet has been drafted into the railways – to take an axe to Railtrack's costs, so easing fears among would-be train operators that their track charges will be dictated by a lazy, inefficient monopoly.

Railtrack will be a lean machine, says Mr Horton. Its headquarters will employ about 150 people, half from BR and half from the private sector. The company will also take on BR's signalling and train control staff, taking employee numbers to 10,000-12,000. But everything else – track maintenance, signalling renewal, engineering work and the rest – will be contracted out, with BR's existing staff competing with the private sector for the work.

Job losses are potentially large: BR employs 40,000 people on track maintenance and engineering. But Mr Horton is politician enough to duck the question of exactly how many will go: "I am not going to say – that's just asking for trouble."

The other big change will be the creation of 10 geographical zones to run Railtrack's day-to-day operations. Managers will be given a high degree of devolved power to run their businesses, Mr Horton says. Headquarters will set quarterly targets and zonal managers will be left to achieve them, with financial rewards geared to the degree of success.

If this begins to sound like the "empowerment" which Mr Horton so strongly advocated in the past, he is not about to disagree. "I have not fallen in love with committees since I left BP," he says. Nor does it sound as though he is planning any drastic changes in his management style.

If you lead from the front and take difficult decisions, people will say you are arrogant and abrasive, which I don't think I am," he says.

"I think my management style is actually highly consultative – I really do delegate. But I believe in active leadership and not ducking leadership, and in a complicated business there is limited scope for endless debate."

Even so, the bruising circumstances of Mr Horton's exit from BP have left some scars. He speaks bitterly of the events leading up to his departure: "I had over 30 very happy and stimulating years in the oil industry. It was hardly my fault that the deepest recession for 30 years was under way."

Is this then a new, softer, gentler Bob Horton taking charge of Britain's railway infrastructure?

"Possibly," he says. "Possibly. I am very conscious of the fact that I have a lot of learning left to do. Mind you, so has everyone. We are at a new dawn now."

Fading sound of music

Judy Dempsey on why there may be a requiem for one of the world's finest piano makers

There is hardly a musician who does not know about Bechstein, one of the world's finest pianos, whose keys were played by Richard Wagner and Franz Liszt. There is hardly a Berliner who would not demand its rescue as bankruptcy now hangs over the 140-year-old company.

Bechstein has had an uphill struggle since it was bought by Mr Karl Schulze, regarded as a master piano maker, from the US-based Baldwin keyboard manufacturers in 1985. Mr Schulze had only one aim: to restore the international reputation of this grand concert piano.

Baldwin had acquired the renowned established family business in the 1960s, and afterwards, the quality of the pianos was compromised, experts say. Its infrequent presence on the concert platform seemed to confirm this perception. Before the second world war, Bechstein and Steinway competed with each other to grace the world's concert halls. Today, about 90 per cent of them are using Steinway, followed by the Vienna-based Bösendorfer.

"Baldwin is a good American firm. It thought it could sell more pianos by capitalising on the name. But each piano has to be crafted, individually made, and cared for," said Mr Roger Willson, manager of Whelpdale, Maxwell and Codd, a piano manufacturer, and the sole importer into the UK of Bechstein.

Soon after acquiring Bechstein, Mr Schulze bought new premises in west Berlin, not far from Checkpoint Charlie, the main crossing point between east and west Berlin, and with help of 68 craftsmen, revived traditional piano-making skills. By the early 1990s, the company was making 350 concert grands and 600 uprights a year. Mr Schulze, confident about the future, decided to expand. He bought a small piano factory in Bavaria, as well as the established Zimmermann piano factory in the eastern German state of Saxony. Then things started to go wrong.

An explanation is offered by Mr Willson. "The recession hit him badly," he said. "You see, about 60 per cent of our sales of Bechstein, and Blüthner, another great German piano manufacturer located in Leipzig, is sold to the older generation. With the fall in housing prices, especially in Britain, people held back. These are expensive instruments." A Bechstein grand costs between DM80,000 (£31,128) and DM100,000, and an upright between DM18,000 and DM30,000.

As a result of the recession, piano sales in the UK fell last year by 15 per cent, to between 10,000 and 12,000. Worldwide, 680,000 pianos were sold, 270,000 fewer than in 1991. The market faces growing competition from Japan, and especially South Korea and China, which have exploited the global downturn by offering low prices and somewhat inferior quality. But, when it comes to concert grands, the Japanese are up against a bias which favours European tradition and craftsmanship.

Some German bankers say that Mr Schulze expanded at the wrong time. But another factor could be that unlike his competitors, Steinway and Bösendorfer, both of which are owned by US companies, Bechstein has no private backers. "He did it alone. It would be a shame to see Bechstein disappear," said Mr Michael Glazebrook, director of technical services at Steinway.

Because of the recession, Bechstein's bankers, Dresdener and Deutsche Genossenschaftsbank in Berlin, have been reluctant to provide loans of about DM3m to the company, which saw turnover fall by 15 per cent to DM20m last year. This year it may be even lower, at DM15m. Without financial backing from the Senate, Berlin's city government or from a consortium of bankers, Bechstein could be forced into liquidation.

The irony is that Bechstein's bankers have refused their support at a time when other great piano manufacturers, particularly those in east Germany, are slowly re-establishing their reputations. These include Blüthner and Zimmermann, both based in Saxony.

Blüthner was founded in 1853, and was chosen for concert performances by Felix Mendelssohn, Arthur Rubenstein, and Claudio Arrau, the latter one of the finest interpreters of Beethoven's sonatas. Ingbert Blüthner, a direct descendant, managed to bring the business back into the family in 1990 from communist state control. He began to market the piano again, and opened a workshop to recondition second-hand instruments.

"It is difficult, but we are surviving, and we are regaining our traditional niche in the upper end of the market," said Ms Gitta Grosse, manager of Blüthner's showrooms in Leipzig. "You must remember that we had no chance to compete, or gain access to high-quality parts for our piano under the old system. This has all changed," she added.

"The quality of Blüthner is much better now," said Mr Willson. "It has that lovely soft tone." Zimmermann, which caters for the middle end of the market, has also regained its reputation as a high-quality family piano. But its fortunes depend on the fate of Bechstein.

"If Bechstein is allowed to fail, it would be very sad. We are talking about quality, about a name, about craftsmanship, which Germany is so good at, and which people still want. The Bechstein is as famous as Berlin's coat of arms, the bear," said Mr Willson.

Steinway's Mr Glazebrook added: "Some would think we would be delighted to see the end of Bechstein because it would mean less competition. But it's not like that at all. It's about retaining the continuity of quality and tradition."

The Senate, and any prospective rescuer, will next week have to decide the price it will pay for maintaining, or neglecting, that tradition.

A blow for compromise and conciliation

Israel's military attacks in south Lebanon have damaged Middle East peace hopes, writes **Roger Matthews**

The Middle East abhors a diplomatic vacuum like no other part of the world. If it is not trying to resolve the worst of its problems through negotiation, then the danger is always there that it will blunder again into war.

The latest, and objectively the best hope for resolving the Arab-Israel conflict peacefully sprang out of the war in the Gulf. Some 20 months after Iraq's forces were driven out of Kuwait, the long-festering crisis of Israel's relations with its Arab neighbours was brought to the negotiating table in Madrid. Some 21 months later, with no progress to show, the guns are again firing, civilians are dying and the pitiable sight of hundreds of thousands of refugees fills television screens.

Once again, for the third time in 15 years, it is the Lebanese people who are paying the price for the failures, ambitions and short-term political manoeuvring of the region's leaders. This week's relentless attack on the country by Israel, which has already forced at least 250,000 people from their homes, killed 120 and wounded hundreds more, serves interests far removed from those which support conciliation and compromise.

Mr Yitzhak Rabin, Israel's prime minister, clearly believes that the military operation is necessary for his government and for his country. Earlier this month, seven Israeli soldiers were killed by guerrillas in south Lebanon, in the slice of territory (about 10 per cent of the country) Israel has occupied since its two earlier ill-fated invasions of 1978 and 1982.

Then, as now, the declared aim is to rid the south of Lebanon of guerrilla forces capable of challenging the occupation and of firing rockets into the northern tip of Israel. This time, however, Israel is trying a new tactic. By deliberately driving out the population of the south and making their towns and villages uninhabitable, Mr Rabin is hoping to create such a mass of refugees that the governments of Lebanon and Syria will be forced into taking action against the guerrillas.

Israel's prime minister has long believed, along with many of his colleagues, that force can only be answered by force. He was elected a year ago on the twin pledge of peace and security. He has not delivered peace, so the need to ensure security has become even more politically imperative. Mr Rabin may also calculate that the risks to the peace process are secondary and containable. He well knows, as do his Arab negotiating partners, that Israel is totally dominant in the region militarily. Since the collapse of the Soviet Union, those Arab countries most opposed to Israel have lost their main military supplier and most constant diplomatic supporter. The risk of a Middle East conflict spilling over into the third world war has gone.

Israel, meanwhile, has deepened the already close relationship with its most fervent champion, the US. Washington, in its turn, has declared a policy of seeking to deny Iran and Iraq, potentially the two most powerful economic and military powers in the region, the means to develop their influence. Seen from Jerusalem, it must appear that Israel and the US have the power to dictate events in the Middle East as never before.

It is a view shared by many Arab governments. Syria, Jordan, Lebanon and the Palestinians went to Madrid and the nine subsequent rounds of negotiations in Washington because it was the only formula remaining which might, with US involvement, lead to the return of their land occupied by Israel in the 1967 war, as demanded in two UN resolutions.

They came to the table essentially as supplicants with little to offer, except the prospect of peace treaties. For governments which until recently had beaten the drum of Arab nationalism, Palestinian self-determination, and unending resistance to Israeli ambitions, it was a chastening and potentially humiliating experience. And the less they achieved, the greater would be the embarrassment of justifying their actions in front of their own populations.

By attacking Lebanon in the manner it has, Israel is seeking to strip the last remnants of their formerly hostile political clothing from them. Syria, and the Lebanese government on which it has such strong influence, are being told by the Israelis to put an end to the military activities of Hizbollah, the Iranian-supported group which proclaims that it is fighting a war of national liberation in south Lebanon. Without the curbing of Hizbollah, the civilians of the south will not be allowed to return to their shattered homes, and Lebanon's attempts at reconstruction will come to nought.

But Hizbollah is more than a guerrilla movement. It also enjoys widespread support among the Shia community in Lebanon, runs an extensive social welfare programme and won eight seats in the last parliamentary elections. Lebanese ministers are well aware that the only way to reduce Hizbollah's growing influence is by raising the overall economic well-being of Lebanon, a process which Israel has now put firmly into reverse. The parallels with the Israeli-occupied West Bank and Gaza are obvious. There, too, Israel's response to the Palestinian uprising has led to greater economic hardship and an erosion of the popular support for the Palestine Liberation Organisation, which gave its blessing to the peace process, and a political boost to the radical Islamic forces, which oppose it.

For those Israelis who prefer the present situation to the alternative sought by the Arab negotiators, such developments are not unwelcome. It enables them to argue, especially in front of a US audience, that radical Islam has now become the most potent threat not just to Israel, but also to most of the western world.

AP

Protest: a Shia Moslem demonstrates against Israeli aggression in Lebanon

How fully the US accepts this assessment may be clearer in the next few days when Mr Warren Christopher, the secretary of state, sets out once more for the region with his prime objective of promoting peace again overshadowed by the need to limit the damage of war.

Conservation dependent on right economic focus

From Mr J Hugh Faulkner.

Sir, Sustainable development is not conservation for its own sake, as you suggest, ("Clarifying the green agenda" July 21). It is, as the Bruntland Commission says, "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" – surely a goal we all share.

To achieve it, we must use all our resources – finite or not – more efficiently, and less wastefully. To encourage this means costing those resources realistically – including environmental costs – paying those costs and including them in both national and corporate accounts. Economic reforms are therefore the key to more efficient use of resources.

As you say, "it is a time for priorities". But you overlook a main priority: the urgency for governments to step up their efforts to internalise environmental costs – specifically through applying economic instruments on a wider scale, and at a faster pace. They undertook to do this at Rio.

Internalising environmental costs will benefit:

a) business, by encouraging firms to become "eco-efficient" – adding value to products, while using raw materials and energy more efficiently, and minimising pollution. This in turn will create competitive advantage, improve corporate returns and reduce risk.

b) government, as a more cost-effective, flexible and successful alternative to command-and-control

c) environment – including addressing many of the issues you question as really important.

Indeed, because few other, if any, single public policy actions would achieve so many benefits, this should be an item marked "high priority for action" on everyone's agenda – government, business and environmentalists.

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LETTERS TO THE EDITOR

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ERM: Arguments favour giving priority to monetary policy and a large realignment

From Sir Alan Walters.

Sir, The economic case argued by the "MIT Six" (Personal View, July 29) for the burial of the exchange rate mechanism is as welcome as it is irrefutable.

The Six, however, were late in changing their views. One of them, Rudiger Dornbusch, is on record at a G7C meeting only 14 months ago in claiming that there was nothing wrong with the ERM that a lira devaluation would not cure. The Six indeed have to explain away their erstwhile support of the ERM. They thereby assert that the ERM in its early years *was* a good system in inducing reductions in inflation but somehow it became rigid and perverse.

As you know, together with a very few others, I have argued that there is no evidence that the ERM countries reduced inflation any faster than the outsiders, that the ERM was and is inherently perverse and unstable, and that the political-market forces would induce the same sort of rigidity that we saw in Bretton Woods.

All these dynamics, masked until 1990 by exchange controls, became quite clear over the last three years. Black Wednesday was merely one culmination; there are others to come.

But what concerns me in the MIT Six article is the stress they appear to put on targeting unemployment – "putting unemployment at the top of the list [of priorities]". So we may well risk falling out of the ERM frying pan into a Keynesian inferno.

Targeting unemployment, as we know from the post-second world war years, gave us eventually even higher levels of unemployment and rampant inflation.

Surely the first priority should be stable monetary policy, not unemployment. At the very least a stable monetary policy should save us from the exacerbations of inflation and recession that we have experienced, either outside or inside the ERM, by pegging sterling to the D-Mark.

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From Professor Antonio Marques Mendes.

Sir, the MIT professors and Nobel laureates, in their early burial of the European Monetary System, reminded me of Mark Twain's quote, "The announcement of my death is premature". Although I am not an enthusiast of the ERM, I was astonished to see no mention of a large realignment as a possible solution to the current ERM crisis.

Since I co-share the authors' (presumed) preference for living in a world of fixed, but adjustable, exchange rates, I cannot see what their advocacy of a "new EMS" can bring as new to lay down the stepping stones of a future international monetary system.

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Notes for avant-garde ear

From Mr Robin Boyle.

Sir, In his article on the future of the London orchestras (Arts, July 24/25) Sir Alan Peacock asserted derogatorily that "many serious composers of today are not primarily interested in winning over the public".

But why should they be? Those composers whose works are most likely to stand the test of time are by definition avant-garde in the sense that their unique creativity extends musical boundaries beyond the previous experience of the listening public.

The 20th century is notable (and notorious) for the number of major compositions that did not win over the public when first performed, but which have subsequently become standard works in the repertoire.

If the Arts Council lacks both historical perspective and vision and expects all composers to be user-friendly and market-oriented it will stifle the imperative originality from which great works spring.

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Better deal for small investors

From Dr M E R Robinson.

Sir, Lex suggests ("Sharelink", July 24/25) that "without further tax incentives from government, the high ideal of a share-owning democracy will remain no more than that".

Perhaps a more effective incentive would be for market makers to reduce their bid-offer spreads? A £1,000 purchase typically returns £725 to £925 on selling at an unchanged mid-price, with £20 to £200 going to the market maker, depending on the liquidity of the security, £50 to the stockbroker and £5 to the government in stamp duty.

If everyone received as little as the government, the small investor would be well served.

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Outcome boosted by release of £154m problem country debt provision

Lloyds ahead 35% to £498m

By John Gapper
Banking Editor

LLOYDS BANK yesterday disappointed the market with half-year results which showed pressure on retail banking income from slack domestic loan demand. This was despite a 35 per cent rise in pre-tax profit to £498m, against £369m.

The pre-tax figure was in line with expectations, but was helped by a higher than expected release of problem country debt provisions of £154m. This made its problem country debt unit the most profitable of the bank's operating sectors.

Lloyds nonetheless covered its dividend 3.5 times after raising it 12 per cent to 6.6p (5.9p), and Mr Brian Pitman, the bank's chief executive, said it was considering ways to redistribute excess capital as earnings grow.

Mr Pitman said Reuters' recently announced scheme to spend £350m buying back 5.8 per cent of its own equity was "very intriguing" although he had not yet studied it closely. This was one possibility for handing back excess cash.

Since Lloyds' failed bid to buy Midland last year, there has been speculation over how it will spend capital. Mr Pitman said it would have to choose when its ratio of equity to total assets rises from the current 4.4 per cent to 6 per cent.

The bank was affected by falls in base rates, which reduced earnings on UK interest-free deposits. It lost earnings of £39.4m on interest-free funds of £6.4bn as the net interest margin narrowed to 3.97 per cent (4.36 per cent).

This squeezed income in UK retail banking, where it made a profit of £17m (£3m loss). Operating profits fell by 4 per cent despite a 5 per cent reduction in costs, and provisions for bad and doubtful debts fell to £209m (£241m).

Mr Pitman said this was a "hopeless" return on equity of about £1bn, but the bank believed it could raise returns substantially as provisions fell by cutting costs at 1 per cent per year while raising income 5 per cent a year.

Some of Lloyds' ratios were affected by the adoption of an EC directive which requires grossing up of assets, and a new Statement of Recommended Accounting Practice. The bank also adopted the FRS 3 accounting standard for the first time.

These changes lowered the restated tier 1 ratio of core capital to risk-weighted assets to 6 per cent (6.2 per cent restated from 6.7 per cent). Including unaudited retained profits, the figure would rise to 6.5 per cent.

The ratio of costs to income fell to 65.5 per cent (67.1 per cent restated from 63 per cent).

The bank's total operating profit before provisions rose by 10 per cent to £632m (£577m restated). But costs rose by £25m (2 per cent) on exchange rate movements despite a 4 per cent reduction in the number of employees to 62,551.

Assets grew 7 per cent on the end of 1992 to £74bn. Holdings of debt securities rose to £4.7bn (£3.4bn), and the acquisition of the Agricultural Mortgage Corporation added £1bn. Customer loans rose marginally to £39.1bn (£38.8bn).

Mr Pitman said the scope for growing domestic loans was limited by the fact that inflation has fallen. He said the bank would try to generate added income by being more imaginative in devising personal savings products.

Provisions fell 34 per cent to £138m (£209m), as the bank's problem country debt unit made a profit of £176m. Excluding the problem country debt provision release, the charge of £292m was 6 per cent down on the first half of 1992.

Earnings per share rose 43 per cent to 23.5p (16.4p) and net assets per share rose 13 per cent to 232p (205p).

The shares closed 25p down at 557p.

See Lex

Colin Beere
Sir Robin Ibbs, chairman of Lloyds Bank: still looking for savings

BET sells hire side to Hewden Stuart

By Catherine Milton

HEWDEN STUART, the plant hire company, is buying Hireplant, a general plant and tool hire business, from BET for £10.8m in cash.

The deal is being partly financed through a placing, organised by James Capel, to institutional shareholders of 6m new ordinary shares each at a price of 119p. The shares closed up 2½p at 121p yesterday.

Hireplant has some 400 employees, operates 24,000 items of plant and has its head office near Oxford. It is an amalgamation of the general plant and tool hire activities of BET, the business services company, which until about two years ago traded under their own names.

Hewden Stuart will acquire the 29 freehold properties and 10 leasehold properties through which Hireplant operates. Its depots are spread throughout the UK, although many are located in the Midlands and south of England.

Five are in Scotland, under the name of Bob Tait Plant, which has a separate operation with its own head office.

Current budgets of Hireplant, for the year ended March 311994, estimate turnover of £16m and a trading loss of £500,000.

Refinancing deal secured for FNFC as losses fall

By Peggy Hollinger

FIRST NATIONAL Finance Corporation, the consumer credit group which earlier this year found itself in breach of banking covenants, has narrowly avoided collapse by clinching a refinancing deal for its £1.1bn debt owed to 107 international banks.

Had the refinancing not been agreed, the group could have been forced to call in administrators. This is the second time in 20 years that FNFC has come close to collapse. It was rescued by the Bank of England after the banking crisis in the mid-1970s.

The deal was finally signed late Thursday night, after the company gave written assurances to a US bank that all creditors would receive equal treatment. Agreement opened the way for FNFC to resume dividend payments after two years and report its interim results, showing a reduction in pre-tax losses from a restated £39.6m to £3.35m for the six months to April 30.

FNFC has won a five-year breathing space for repayment of its £1.1bn debt. The banks are not providing any new funds. In return, FNFC has agreed to wind down the loss-making First National Commercial Bank, which provides term lending to property orientated businesses. It has also agreed to tighter covenants on gearing ratios.

Mr Tim Ingrams, finance director, said the deal put the company on a firm financial basis. Borrowing costs were expected to be 0.8 per cent higher.

The group's difficulties stem from the breach of one covenant in 1988 which was discovered this year. This related to a ban on loan guarantees between subsidiaries and the parent. Cross default agreements meant all creditors could call for immediate repayment of debts when it was discovered that this ban had been breached. Although FNFC had not defaulted on its repayment obligations, discovery of the breach following two years of heavy losses is thought to have made creditors nervous.

FNFC's debt can be split into three parts – loans to First National Bank of £788m, loans to FNCB of £236m, and loans to the parent of about £90m.

The group intends to repay the banks largely through securitising the assets of its main operating subsidiary, FNB. This, in effect, means packaging parts of the loan portfolio and putting them into an off balance sheet vehicle. This then raises cash by issuing notes to investors.

Part of the refinancing agreement calls for 90 per cent of First National Bank's future business to be "securitiseable".

FNCB's debt will be repayable as its loan book is run down. Loans to the parent will be repaid with cash from January's £45m rights issue and property sales. Costs of negotiating the refinancing are expected to be about £5m.

In its results, prepared in accordance with FRS 3, the group declared a dividend of 0.5p. Mr Ingram said that restrictions on pay-outs by subsidiaries to the quoted parent meant there would be no great increase in dividends from FNFC for a few years. Losses per share fell to 2.5p (21.7p).

FNFC's core consumer credit business showed a £10.4m profit (£12.8m losses). Commercial lending, earmarked for closure, incurred heavier losses of £6m (£5.5m).

Wolstenholme Rink expands in resins

WOLSTENHOLME Rink, the printing industry supplier, has bought the varnish and resins division of Leon Frenkel, a privately-owned company in Kent, for £3.93m

An initial payment of £3.15m will be satisfied by the issue of 350,000 shares at 460p and £1.54m in cash. The shares have been placed by Cazenove and Henry Cooke Lumsden, the placing being underwritten by Cazenove.

The final £775,000 will be paid after Frenkel has moved its other businesses, involving the mixing and bottling of cooking and salad oils, from the building which houses the varnishes division and is expected to be made within two years. The sale proceeds will be used to finance the move to a new factory near the existing site.

In the year to the end of October 1992, the resins and varnish division made pre-tax profits of £161,000 on turnover of £5.7m out of group profits of £755,000 and turnover of £24.3m.

The acquisition continues Wolstenholme's policy of making acquisitions geared to international expansion, which began with its takeover of PCO, the Netherlands-based speciality chemicals group in 1991.

Varnishes, and the resins are used to manufacture them, make up the liquid element of printing inks and the purchase completes a vital piece of the printing products jigsaw for Wolstenholme.

Mr Tony Rink, Wolstenholme's joint chairman, said: "We are building a portfolio of products that we can sell to the *international print ink* industry."

Wolstenholme's share price closed unchanged at 475p.

John Lusty losses grow to £2.25m

JOHN LUSTY Group, the USM-quoted food manufacturer formerly known as Dumas Group, reported pre-tax losses up from £970,000 to £2.25m for the year to January 31.

Turnover for the year rose slightly, from £8.62m to £8.68m. Of this, continuing operations were responsible for £7.94m (£7.7m). Losses per share were 19.38p (15.34p).

Mr David Hamp-Adams, who took over as chairman after the company's restructuring and name change in February this year, said discussions were under way regarding the sale of Bender and Cassel, which no longer fitted with the group's core activities.

The restructuring of the group had already begun to pay off, he said, and despite poor trading conditions, its future now looked more secure than it had for some time.

Birmingham Midshires acquisition

By Bernard Simon in Toronto

BIRMINGHAM Midshires building society, the 13th largest in the UK, has acquired the bulk of the UK residential mortgage portfolio of Canada's Royal Trust Bank.

The purchase price of £160m is close to the level at which the mortgages are carried on the books of Gentra, RT Bank's Toronto-based parent. Most of the mortgages cover properties in southern England.

Gentra, formerly known as Royal Trustco, is selling its operations to Royal Bank of Canada. The proceeds from the UK sale are required to make up a shortfall in the value of loans sold to Royal Bank.

Gentra said it was negotiating the sale of the rest of its UK residential mortgages and another deal was expected to be finalised next month.

The assets sold to Birmingham Midshires make up about 40 per cent of RT Bank's real estate exposure. The bank is also trying to sell parts of its UK commercial and retail property loans.

RT Bank, which has had a presence in London for more than 60 years, is unlikely to survive for long as a separate entity. Royal Bank is taking over its treasury operations and liabilities, while Gentra is shrinking its asset base.

Anglia Secure Homes cuts deficit to £2.3m

By Zhang Tingting

ANGLIA Secure Homes, the builder and manager of retirement homes, achieved a reduction in pre-tax losses from £5.08m to £2.3m in the six months to end-March.

Turnover improved to £6.76m (£6.57m) including a £2.2m (£2.1m) contribution from Haven Services, 51 per cent owned by Anglia. The pre-tax result was after a fall from £1.81m to £508,000 in exceptional costs and reduced interest payments of £748,000 (£1.31m).

Losses per share fell to 7.2p (15.4p) and there is no dividend. Anglia last paid a dividend in respect of the year to September 1989. Its share price reached a peak of 458p in March that year, before a collapse in demand for housing. The shares closed unchanged at 6p yesterday.

However, Mr Peter Edmondson, chairman, said that prices "do appear to have reached their floor". Average prices on the 61 units sold in the six months were £61,000 (£60,000).

He said that five projects to develop and operate nursing homes were underway with Haven Healthcare Holdings, in which Anglia had a 28 per cent stake. The group was in discussions with its principal bankers to separate its property assets and associated debts from the Haven operations, on which the group had pinned its future hopes, he added.

Forminster moves ahead to £2.21m

Forminster, the clothing manufacturer for mail order and chain stores, lifted pre-tax profits from £2.11m to £2.21m in the year to April 30. Turnover rose to £23.8m against £22m.

The company had continued to expand, said Mr Ronald Gulliver, chairman, despite difficult trading conditions and the recession.

While continuing to manufacture in the UK, the company was also developing its imports side, he said.

After an unchanged tax charge of £725,000, earnings per share worked through at 53.79p (46.7p) and the proposed final dividend of 10.04p (8.75p) lifts the total for the year from 12.53p to 14p.

SEET reduces losses and borrowings

SEET, the textiles company, cut losses from £370,138 to £60,840 in the year to April 30 and Mr Jock Mackenzie, the chairman, reported that the company's financial position had also strengthened materially in the period.

This improvement had arisen from the settlement of the Homemaker action in June last year, the sale of Kenneth Mackenzie in November and the settlement of a professional negligence claim in April this year.

As a result of the sale of Kenneth Mackenzie Holdings for £1.25m last October and the receipt of money from the US following litigation there, group net borrowings at the year end were reduced from almost £2m to under £300,000, and since then there had been a further improvement.

Mr Mackenzie said all operations were now trading profitably.

Turnover for the year was £6.5m (£7.14m). Losses were struck after exceptional credits of £333,031 (£50,592) and net interest payments of £148,853 (£218,660). Losses per share came to 1.8p (9.07p).

Unilever expands German operations

Unilever is to expand its bakery raw materials activities in Germany. It has agreed with Diamalt in Munich and BM Backermuhlen in Stuttgart to take over Diamalt's interests in baking products and malt extracts, supplied to bakeries and the bread products industry.

The deal, which requires Bundeskartellamt approval, is expected to become effective on October 1. The company said the consideration was not significant in relation to Unilever's assets.

Cheltenham & Gloucester advances 71%

Cheltenham & Gloucester, the sixth largest building society, disclosed a 71 per cent rise in pre-tax profits from £44.1m to £75.3m in the six months to June 30 after provisions for bad and doubtful debts eased.

Provisions fell to £75.3m (£98.5m) as the society did not have to repeat provisions made last year to cover commercial lending and inherited loans from its merger with the former Portsmouth Building Society.

The society's assets rose by 2.5 per cent to £16.5bn (£15.3bn) as mortgage lending rose 4.6 per cent to £1.1bn helped by fixed rate products. However, the society predicted that lending for the year would be down on 1992.

Mr Andrew Longhurst, chief executive, said it was "a solid performance in a sombre market". The society discloses half-year results because it has issued permanent interest-bearing shares (Pibs).

Europa Minerals in merger talks

By Kenneth Gooding, Mining Correspondent

EUROPA MINERALS, a small UK mining finance house, is having negotiations about a three-sided merger with Burmine and Austmin Gold, two Australian companies with which it is already closely involved.

In addition Mount Edon, another Australian concern, had made an approach which might lead to an offer.

Europa's two independent directors, Mr Campbell Douglas and Mr Peter Ronayne, are backing the merger with Burmine and Austmin. An independent review of asset values is to be made before formal terms are announced, but they are likely to involve shareholders receiving one Burmine share for every two Europa.

With Burmine's shares at A$1.90 (85p) each this indicates a value of about 42p for each Europa ordinary and £10.3m for the company.

The Europa price slipped 2p to 35p immediately after the news. It has been as low as 3p in the past year and in June 1992 only 16 per cent of a rights issue of shares at 5p was taken up.

Trading is expected to begin again today in Australia in both Burmine and Austmin shares which were suspended after a previous announcement that the three-way restructuring was a possibility.

Mount Edon, a small Australian mining company backed by Swiss money, said it had bought another 10 per cent of Europa, taking its interest to 18 per cent and that it might make a share or cash offer, or a combination of the two, for the rest.

Mount Edon is understood to have paid a maximum of 33p each and to have indicated it might bid 34p.

Europa's principal investments are oil and gas royalties and 41.8 per cent of Burmine, a gold producer in Western Australia.

Austmin, an exploration company, owns 19.8 per cent of Europa. Burmine would also offer one share for every 11 Austmin, but this would exclude Austmin's 18.1 per cent stake in Consolidated Exploration.

Europa's independent directors argued that the merger would enable the complex shareholdings to be simplified. They also considered that the group's combined strength could be more easily recognised by the market and provide a foundation for future growth.

Under the proposals Europa and Austmin would own 20 per cent and 7 per cent respectively of Burmine. These cross holdings would be placed to raise additional cash for the enlarged group which would have a market price of about A$62m.

NEWS DIGEST

Warburg buys more BT shares

SG WARBURG, global co-ordinator of the British Telecom public offer, has paid £384m to buy an additional 91.5m shares from the government to meet international demand. The purchase, at the offer price of 420p, puts the number of shares taken by foreign investors up to 579.5m, against 732m sold in the UK public offer.

The total number of British Telecom shares sold by the government now comes to 1.31bn. Warburgs said that although the purchase marked the end of the 30 day stabilisation period, at no stage had there been a need to support the share price.

Radiant Metal loss deepens to £112,784

Increased pre-tax losses of £112,784 were announced by Radiant Metal Finishing, the electroplating, metal finishing and property group, for the year to February 28. Losses last time were £94,505.

Turnover slipped to £748,299 against £807,571. Trading losses were £128,551 (£94,121) while investment income amounted to £15,767 (£384 payable).

Start-up costs hit Zetters

The start-up costs for a division to supply telephone-interfaced information technology was the main factor behind a fall in pre-tax profits from £1.04m to £880,000 in the year to March 31 at Zetters Group.

The costs led to increased operating losses of £155,000 (£21,000) in the competitions and marketing activities. The profits from pools fell to £812,000 (£844,000) after lower interest received.

Group turnover was £22m (£22.9m) of which pools provided £21.5m (£22.4m). Earnings per share were 8.9p (10p). An unchanged final dividend of 4p is proposed for a maintained total of 8p.

Heritage recovers to £115,000

Heritage, the USM-quoted distributor of housewares, reported its first full-year profit since 1989 in its results for the 12 months to April 30.

Continuing the recovery seen at the interim stage when profits were £53,000 the year-end figure was £115,000, against losses of £177,000. Turnover was £11.6m (£11m).

Since the end of February business confidence and consumer demand had improved and in the present period sales were ahead of last year.

Earnings per share were 2.14p (losses 3.29p).

Standard Platforms reduces deficit

Standard Platforms, the USM-quoted computer hardware and software group, cut pre-tax losses in the year ended March 31 from £847,471 to £405,368.

The latest result was struck after £98,000 provisions for the costs of restructuring continuing operations.

The company has reduced its workforce substantially and closed its sales office in Andover, Hants. Current contracts are such that Standard has a backlog of over £400,000 and since most of this work will not be invoiced until the next financial year, the company is still dependent on the continued support of its bankers.

Turnover grew to £2.74m (£1.61m) while losses per share were 10.1p (21.5p).

Kleinwort High Income lower

Net earnings of Kleinwort High Income Trust for the year ended June 30 dropped from £2.59m to £2.37m, equivalent to 7.89p (8.64p) per share.

The fourth quarterly dividend is 1.875p (same) for a maintained total of 7.5p for the year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
FNFC	int	0.5	Sept 3	nil	-	nil
Forminster	fin	10.04	Sept 9	8.75	14	12.53
Lloyds Bank	int	6.6	Oct 14	5.9	-	18.4
Zetters	fin	4	Oct 4	4	8	8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
†150	P.P.	-	176½	150	British Telecom (P/Paid)	171½	-½	N15.6	1.4	4.5	28.4
120	F.P.	-	145	131	Business Post	143	+2	L2.9	2.5	2.5	20.0
100	F.P.	-	117	18	Celsis Intl.	101		-	-	-	-
225	F.P.	-	210	184	Court Cavendish	191	-5	W3.6	2.8	2.4	12.9
-	F.P.	-	16½	7	Creston Warrants	7		-	-	-	-
170	F.P.	-	200	191	Desco Intl	198	+1	W5.5	1.9	3.5	18.8
100	F.P.	-	96	94	Dunedin Japan Inv	94		-	-	-	-
-	F.P.	-	48	39	Do Warrants	48		-	-	-	-
-	F.P.	-	100	97	Eagle Inv Trust	99	+½	-	-	-	-
-	F.P.	-	45	33	Do Warrants	45		-	-	-	-
110	F.P.	-	120	113	Environmed	115		-	-	-	48.4
-	F.P.	-	22	11	Eurotunnel Wts 1993	19½	-1½	-	-	-	-
250	F.P.	-	290	278	Field Group	284	-1	N8.4	2.0	2.8	22.5
210	F.P.	-	262	233	Fine Decor	252	+1	u7.5	1.7	3.8	20.1
-	F.P.	-	149	149	Finsbury Smllr. Co's. C	149		-	-	-	-
-	F.P.	-	103	94	Govett Emrg Mkts	103	+1	-	-	-	-
-	F.P.	-	52	44	Do Warrants	47		-	-	-	-
100	F.P.	-	110	100	Johnson Fry Utilities	110	+1	M7.2	-	8.2	-
-	F.P.	-	102½	101	Do Zero Pf	102¼					
-	F.P.	-	265	258	Kerry Grp A	265		Q30.1%	7.9	1.2	14.5
100	F.P.	-	98	94	Kleinwort Emrg Mkts	98		-	-	-	-
-	F.P.	-	61	55	Do Warrants	60		-	-	-	-
100	F.P.	-	104	93½	Perpetual Japan Inv	104	+2	-	-	-	-
-	F.P.	-	49	37	Do Warrants	49	+1	-	-	-	-
130	F.P.	-	148	140	Policy Portfolio	145		u6.0	1.8	5.2	14.7
123	F.P.	-	130	127	Quadramatic	128		N4.5	2.2	4.4	13.2
-	F.P.	-	102	101	Second HSSC	101		-	-	-	-
250	F.P.	-	288	285	Sherwlink Inv Serv	288		W7.5	1.6	3.3	20.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	105¼p	103p	Aspray 8¼pc Cnv. Pf.	105¼p	
-	F.P.	-	171p	167p	Finsbury Smaller Co's. C Pf.	171p	+1
100	F.P.	-	100⅞	98¼	Greenalls 7pc Cv. Bnd. 2003	100⅞	+⅛
-	F.P.	-	125	117½	Hemingway Props. 7¼pc Ln. 2027	117½	
-	F.P.	-	122p	120p	Sterling Pblsg Cnv Pf	120p	-2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
123	Nil	27/8	45pm	33pm	ACT	45pm	+1
60	Nil	6/8	3pm	¾pm	Alexon	¾pm	
5	Nil	25/8	¼pm	⅛pm	Alliance Res.	¼pm	
140	Nil	25/8	94pm	82pm	Bank of Ireland	86pm	+1
135	Nil	3/9	19pm	14pm	Birkby	14pm	
900	Nil	6/8	100pm	80pm	Clyde Blowers	96pm	
152	Nil	23/8	18pm	5pm	Cranswick	17pm	
19	Nil	8/8	3pm	1¾pm	Marling	2¾pm	+½
5	Nil	9/8	1½pm	¾pm	Premier Land	¾pm	
120	Nil	16/8	35pm	28pm	Rubicon	33pm	
210	Nil	1/9	53pm	41pm	Smith New Court	46pm	+3

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings July 26
- Last Dealings Aug. 6
- Last Declarations Oct. 28
- For settlement Nov. 8

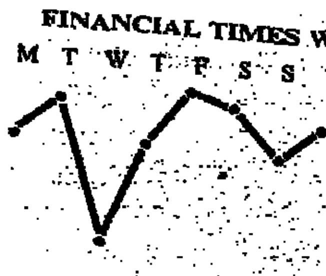
3-month call rate indications are shown on page 11.

Calls: Argyll, Densitron, Fairhaven, Ferranti, Glenchewton, Kalamazoo, Misys, NMC, Ratners, Shandwick and Sharelink. Puts: Densitron, Misys, NMC and Unichem. Puts & Calls: Ferranti, Hanson Wts. and Shandwick.

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	April
FT-SE Actuaries Indices				
100 Index	2850.7	2874.7	2830.1	2837.5
Mid 250	3228.5	3206.9	3147.1	3105.8
350 Share	1426.9	1434.0	1410.7	1409.4
Industrial Group	1430.61	1445.43	1431.20	1432.70
500 Share	1521.62	1539.22	1522.69	1522.32
Financial Group	1074.45	1046.34	1002.84	990.45
All-Share	1413.38	1419.94	1397.10	1393.70
Eurotrack 100	1226.39	1183.38	1152.61	1152.22
Eurotrack 200	1280.39	1237.69	1214.80	1216.21
FT Indices				
Government Securities	98.10	95.90	94.84	96.27
Fixed Interest	116.75	112.70	111.13	112.21
Ordinary	2242.4	2249.2	2207.0	2213.2
Gold Mines	225.2	186.1	171.4	126.4
SEAQ Bargains(5.00pm)	28,485	28,484	28,856	30,702

	Highest Close July	Lowest Close July
FT-SE 100	2926.5 (30th)	2814.1 (21st)
FT-SE Mid 250	3306.5 (30th)	3195.4 (21st)
FT-SE 350	1464.0 (30th)	1409.4 (21st)
FT-A All Share	1448.78 (30th)	1396.75 (21st)
Ordinary	2317.6 (30th)	2218.8 (18th)



ECONOMIC DIARY

TODAY: Mr F.W. de Klerk, South African president, pays visit to Zambia, opens trade fair and talks with Mr Frederick Chiluba, Zambia's president. Mr Warren Christopher, US secretary of state, visits Egypt at start of Middle East tour. Russian parliament in session in Moscow. Mr Paddy Ashdown, Liberal Democrat leader, visits Bosnia, Serbia and Croatia.

TOMORROW: Congress due to begin debate in Lima on referendum law in preparation for referendum on Peru's proposed constitution.

MONDAY: Cyclical indicators for the UK economy (July - first estimate). US construction spending (June); NAPM (July). Launch of Building Material Producers construction industry forecasts. Interim statements from Abbey National and BBA Group.

TUESDAY: Major British banking group's mortgage lending (second quarter). Major British banking groups' quarterly analysis of lending (second quarter). UK official reserves (July). Monetary statistics (including bank and building society balance sheets; bank and building society sterling; lending and M4 quarterly sectoral analysis) (June); MO figures (June/July). Bill turnover statistics (June). Sterling commercial paper (June). Money market statistics (June). London sterling certificates of deposit (June). Provisional analysis of bank lending for house purchase (second quarter). US leading indicators (June). Interim statement from National Westminster Bank. Charter Consolidated holds annual general meeting.

WEDNESDAY: Overseas travel and tourism (May). Housing starts and completions (June). Advance energy statistics (second quarter). Interim statement from Midland Bank.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. Balance of payments advance annual estimates (1992). US factory orders (June). Interim results from Barclays Bank, Reed International, TI and BP.

FRIDAY: Insolvency statistics (second quarter) from the British Chambers of Commerce.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons (*573)	550	47	56	66	12½	22	28½
	600	21½	31	41½	37½	48	52
Argyll (*320)	300	33	37	44½	7	13	15½
	330	14	22	28½	20½	27½	30
ASDA (*64)	57	10	-	-	3	-	-
	67	4	-	-	7½	-	-
Brit Airways (*339)	316	37	44	-	8	15½	-
	345	19½	28½	-	20	28½	-
Smith Bchm A (*445)	420	41	51½	60½	12½	20½	24½
	460	19	30½	40	31½	40½	44½
Boots (*448)	420	44	51	59	7	14½	18
	460	18	28	36½	24½	33	36
BP (*303)	300	21	28	33	9½	15½	19
	330	8½	15	19½	27	31	35
British Steel (*114)	110	12	18	21½	7	10	12½
	120	6	13	16½	11½	15	17
Bass (*486)	460	41	50	56½	10	22	28
	500	20½	28½	35	27½	43½	47
Cable & Wire (*811)	800	47½	64½	80	25½	36½	42½
	850	24½	40½	59	53	63½	69
Courtaulds (*552)	550	32½	44½	55½	21½	30	36
	600	12	22½	33	53½	59½	63½
Comm Union (*630)	629	24	-	-	26	-	-
	677	7½	-	-	59½	-	-
GKN (*493)	460	44	-	-	10½	-	-
	500	19½	-	-	29	-	-
ICI (*668)	637	35	51½	-	27	35½	-
	681	24	36	-	42	48½	-
Kingfisher (*634)	632	30	-	-	28½	-	-
	650	21	36½	48½	35½	44	48½
Land Secur (*627)	600	46½	56½	65½	8½	18½	22½
	650	17½	28½	39	32½	41	46½
Marks & S (*352)	330	33	39	45	5	9½	12
	360	14	19	27½	17	22½	24½
NatWest (*495)	460	43½	55½	59½	6	14	21½
	500	19	32	36½	25½	31½	41
Sainsbury (*474)	460	33½	44	53½	14½	22½	25½
	500	14	25	34	37	44	47½
Shell Trans. (*641)	600	50½	60½	65½	7	15	23½
	650	18	32	38	30	37½	47
Storehouse (*199)	180	26½	30	32½	3	6½	8
	200	12½	17½	21	10½	14½	17
Trafalgar (*103)	101	11	-	-	8	-	-
	110	6½	-	-	12	-	-
Unilever (*981)	950	62	81	93½	17	27½	39
	1000	33	52	66½	39	51	65
Zeneca (*634)	600	50	62½	69½	15	23½	34½
	650	21	38	41½	41½	51	63
Option		**Oct**	**Feb**	**May**	**Oct**	**Feb**	**May**
Grand Met (*416)	390	41	50½	56	8	18½	22½
	420	23	33	40½	21	33	36
Ladbroke (*186)	180	16	22	24	10½	15½	21
	200	6½	13	15	23½	27½	33
Utd Biscuits (*375)	360	30	40½	44	14½	22	29½
	390	14½	25½	29½	31½	38	46½
Option		**Oct**	**Dec**	**Mar**	**Oct**	**Dec**	**Mar**
Fisons (*171)	160	21½	24	28	7	10½	15
	180	10	14	18½	17½	23	26
Option		**Aug**	**Nov**	**Feb**	**Aug**	**Nov**	**Feb**
Brit Aero (*415)	390	32	57½	71	4	25	36½
	420	12	42	57	16	40	51

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
BAT Inds (*460)	450	8	28	39½	7½	20½	25½
	500	1	9½	18	52	54	56½
BTR (*380)	360	24	31	38½	1½	8	11½
	390	3	13	22½	12½	23½	26
Brit Telecom (*416)	390	28	32	35½	1	6	15
	420	5	13½	20½	7	24	30
Cadbury Sch (*469)	460	15	32	42	4½	18	24
	500	1½	13½	25	31	42	47
Eastern Elec (*500)	500	8	29	37	7½	19	26
	550	1	9	16½	49½	51	55½
Guinness (*458)	420	42	54	63½	1	8½	14½
	460	7	26½	39	9	26	31
GEC (*352)	330	24	35	39½	1	5	9½
	360	3½	16½	23	10	18	22
Hanson (*236)	220	18	22	25½	1	5½	8
	240	3	11	15½	7	14½	18½
Lasmo (*136)	130	10	17	22	2½	8	12½
	140	4½	12½	17½	7½	14½	18
Lucas Inds (*147)	140	9	17	22	2	9½	12½
	160	1½	7½	13	14½	22½	25½
P & O (*684)	650	22½	41	56	6	34	41
	700	2½	17½	36	38	65	70
Pilkington (*142)	140	5½	13½	18	4	8½	13
	160	1	5½	7½	18½	22	26
Prudential (*318)	300	19	27	34	1½	9½	13
	330	2	11	18½	15½	26	29
RTZ (*672)	650	26	53½	67½	3½	18½	25½
	700	3	26	43½	31½	45	51
Redland (*515)	500	22	39½	52½	4½	24½	31
	550	2	16½	30½	26	54	59½
Royal Insce (*332)	317	18	30	37½	2	12	15½
	346	2½	15½	23	16½	27½	30½
Scot & New (*445)	420	29	44½	-	1½	8½	-
	460	3	20½	-	16½	28	-
Tesco (*207)	200	11	18½	28½	2½	9½	14
	220	2	9	17	14½	21½	25½
Vodafone (*471)	460	18½	40½	50½	4½	19	27
	500	2½	21½	31½	30½	41½	48½
Williams (*332)	330	8½	20½	29	6	20½	24½
	360	1	9	16	29	40½	43½
Option		**Aug**	**Nov**	**Jan**	**Aug**	**Nov**	**Jan**
BAA (*776)	750	33	60	64½	8	17	26
	800	4	30½	38	27	41	49½
Thames Wtr (*497)	460	40½	51½	54	1	8	11½
	500	7½	24	29	9	24½	28
Option		**Sep**	**Dec**	**Mar**	**Sep**	**Dec**	**Mar**
Abbey Natl (*383)	360	27	37	44	4½	10½	16½
	390	8	19½	29	18½	24½	31½
Amstrad (*34)	30	5½	7½	8	1½	2½	3
	35	3	4½	5	3½	4½	5½
Barclays (*481)	460	30	44	52½	9½	17½	25
	500	8½	24	32	32	38½	46½
Blue Circle (*265)	260	16	25½	32	8½	18	22
	280	7	16	23	21	30	33
British Gas (*311)	300	18½	23½	28	5½	12½	16
	330	4	9	15½	22	31	33
Dixons (*214)	200	18	30	35	4½	10½	14½
	220	9	19½	24½	14	20	24
Eurotunnel (*435)	420	35½	57½	-	17	32	-
	460	17	37½	-	39½	54	-
Glaxo (*650)	650	27½	40	58	28½	44	55
	700	8	23	38½	57½	77	88

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Hillsdown (*144)	140	9½	16	19	6	12	14½
	160	3	7	11	20½	25	27
Lonrho (*132)	130	8½	15	18	7½	12	15½
	140	5	11	14	14	18	21½
HSBC 75p shs (*650)	650	28½	51	67	27½	43½	60
	700	10½	30	46½	62½	73½	89½
Natl Power (*387)	360	18½	30	35	7½	15½	30
	390	6	18	21½	28½	31	36
Reuters (*1441)	1400	65	102	140	37	72	86
	1450	43	77	115	64	93	118
Rolls-Royce (*139)	130	15	19	21½	3½	8½	10½
	140	8½	14	16½	8	14	16
Scot Power (*333)	330	9½	18	22½	11½	17	21½
	350	2½	10	-	26	30	-
Sears (*101)	100	5	9½	11½	3½	6	7
	110	2	4½	5½	10	12	13½
Forte (*215)	200	21½	27	32½	4	9	12½
	220	8½	15½	22	12½	18½	22½
Tarmac (*142)	140	10½	16	20½	7½	14	17
	160	3½	8	9½	21½	27½	30
Thorn EMI (*976)	950	28	55½	68	26	38½	50½
	1000	9½	32	46	61	69½	79
TSB (*204)	200	10½	18	22	6	13	17
	220	3½	9½	13½	22½	25½	29
Tomkins (*230)	220	13½	20	27½	8½	12½	15½
	240	4½	13	18	19	24	27
Vaal Reefs (*890)	80	14	21½	-	6½	12	-
	90	9½	17½	-	11½	17½	-
Wellcome (*687)	650	58½	78	81½	12½	33½	39½
	700	28½	51½	64	34	58½	64½

EURO FT-SE INDEX (*2928)

	2775	2825	2875	2925	2975	3025	3075	3125
CALLS								
Aug	169	121	79	43	21	8	3½	1½
Sep	181	138	99	66	42	24	13	7
Oct	193	162	116	85	60	40	26	15
Dec	-	192	-	128	-	80	-	44
Mar †	-	230	-	169	-	120	-	79
Jun †	-	259	-	201	-	152	-	111
PUTS								
Aug	4	7	15	32	58	96	140	189
Sep	13	19	30	46	73	104	143	187
Oct	19	29	43	67	85	115	150	189
Dec	-	56	-	92	-	141	-	205
Mar †	-	81	-	119	-	168	-	224
Jun †	-	97	-	136	-	183	-	238

FT-SE INDEX (*2929)

	2800	2850	2900	2950	3000	3050	3100	3150
CALLS								
Aug	148	98	69	30	13	4	1½	[illegible]
Sep	159	118	84	58	32	18	10	5
Oct	177	140	107	78	56	38	25	16
Nov	193	156	126	96	74	53	38	26
Dec	211	-	143	-	91	-	54	-
Jun †	278	-	216	-	165	-	120	-
PUTS								
Aug	5	10	20	44	78	122	172	222
Sep	15	24	38	61	91	128	172	222
Oct	29	41	58	79	108	142	181	225
Nov	39	52	71	92	120	152	188	230
Dec	51	-	83	-	131	-	197	-
Jun †	98	-	135	-	183	-	240	-

July 30 Total Contracts 41,036
Calls 24,319 Puts 16,717
FT-SE Index Calls 7,608 Puts 5,437
Euro FT-SE Calls 1,450 Puts 984
*Underlying security price. †Long dated expiry mnths.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	36	HSBC (75p shs)	39	Ratners	3	Brit Land	7
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	Land Sec.	40
Amstrad	3½	Comm Union	52	ICI	75	Sears	9	MEPC	30
Astec (BSR)	3½	Courtaulds	48	Ladbroke	15	Smkl Bchm A	40	■ OILS	
BAT Inds	73	Eurotunnel	30	Legal & Gen	38	TI	28	Arcon Intl.	6
BOC	56	FKI	12	Lex Service	19	TSB	12	Aviva Pet	5
BT	28	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
BTR	41	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	60
Barclays	30	GKN	40	Lucas Inds	13	Tomkins	22	Premier Cons	3
Blue Circle	22	Gen Accident	31	Marks Spencer	25	T & N	15	Shell	36
Boots	42	GEC	22	NatWest Bank	30	Unilever	72	■ MINES	
Bowater	40	Glaxo	55	P & O Dfd	40	Vickers	9	RTZ	52
Brit Aerospace	24	Grand Met	40	Racal Elect	12	Wellcome	75		
British Steel	6	GRE	15	Rank Org	53	■ PROPERTY			

FT FIXED INTEREST INDICES

	July 30	July 29	July 28	July 27	July 26	Year ago	*High	*Low
Govt Secs (UK)	99.17	98.57	98.47	97.94	98.16	88.31	99.17	93.28
Fixed Interest	118.73	118.13	117.61	117.34	117.20	105.14	118.73	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 118.73 (30/7/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
July 29	119.1	116.2
July 28	145.7	112.4
July 27	122.4	104.1
July 26	103.8	98.6
July 23	69.1	95.1

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Gold breaks through $400 barrier

THE BUNDESBANK this week inadvertently succeeded where international speculators had repeatedly failed – by pushing the gold price through the psychologically-important $400-a-troy-ounce barrier.

In response to the foreign exchange turmoil caused by the crisis into which the German central bank's refusal to cut its discount rate had precipitated the European Community's exchange rate mechanism, the price of the yellow metal – a traditional haven for money in times of currency uncertainty – leapt $11.65 to a post-Gulf War high of $405.75 an ounce on London bullion market yesterday.

Yesterday's rise built on earlier gains reflecting concern about last weekend's violence in South Africa, the biggest gold producer, and the publication of a series of strong US economic indicators. But these factors had never threatened to lift the market out of its $388- to $395-an-ounce range, let alone to encourage a fresh assault on the $400 mark.

Attempts to clear that hurdle two and a half weeks ago faltered in the face of stiff overhead resistance and the dispirited bulls allowed the price to settle back into its restricted range. But they had not abandoned all hope and this week's ERM crisis provided just the excuse they had been looking for to renew their efforts.

The silver and platinum markets joined in the fun, the former ending 37 cents up on the week at $5.37½ an ounce and the later $9.45 up at $413.60 an ounce.

At the London Metal Exchange, meanwhile the exchange authorities stepped in to stop the fun some copper market operators are suspected of having in recent weeks.

After expressing concern two weeks ago about technical supply tightness that was developing for the September-early October period, Mr David King, the chief executive, reacted this Thursday to continuing signs of market manipulation with a stern warning that the exchange "will not hesitate to take such steps as are deemed necessary in the light of any changing situation".

The authorities concern was caused by a growing premium being charged for September delivery over the three months position, which had reached $17 a tonne. Such a situation – known in the trade as a "backwardation" because it is a reversal of the normal situation where forward positions command premiums over nearbys – is usually associated with supply tightness, an explanation that hardly applies at the moment, with LME warehouse stocks close to a 15-year high.

The guilty parties seemed yesterday to be paying little heed to Mr King's warning; the September-October premium had narrowed by only $1 a tonne by the close. And in defiance of the clearly bearish fundamentals the three months position edged up another $1.50 to $1,967.50 a tonne, up $56.75 on the week, while cash metal was up $10.50 on the day and $61 on the week at $1,971.50 a tonne.

The nickel market's fundamentals are still more bearish – LME stocks have reached a record 101,568 tonnes – and there has been no attempt to defy them. This week saw a technical rally from the six-year lows reached on Monday, but that ran out steam yesterday, when the three months price fell back by $87.50 to $4,940 a tonne, up $30 on balance.

The tin market had few friends as the recent gentle downtrend in stocks was reversed and demand remained slack. The three months LME price closed yesterday at $4,887.50 a tonne, down $57.50 on the week and a fresh 20-year low.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+9,700	to 1,948,800
Copper	-1,875	to 463,250
Lead	+1,950	to 272,500
Nickel	+1,176	to 101,568
Zinc	-2,900	to 715,300
Tin	+440	to 20,915

The mood of the coffee market was altogether more cheerful. Although the Brazilian frost scare that pushed the London Commodity Exchange's September robustas position above $1,000 earlier this month had all but faded from traders memories, increasing faith in producers' determination to make their export retention scheme effective kept the market on the uptrend. The September futures price touched a seven-month high of $1,044 a tonne yesterday, before closing at $1,037 a tonne, up $44 on the week.

As Latin American producers met in Rio de Janeiro this week to thrash out details of the cartel through which they plan to operate their agreed 20 per cent retention of scheduled exports, coffee traders continued to withdraw from the scepticism with which they had initially greeted the scheme.

"The retention scheme is now almost a fact of life," one trader told the Reuter news agency. "The only thing now is how long it's going to last and what will be the effect."

Having accepted that the Latin Americans mean what they say the coffee market is looking with growing interest towards their meeting next month in Kampala, Uganda, aimed at agreeing a co-ordinated retention plan. Mr Arega Worku, scecretary-general of the Inter-African Coffee Organisation, said yesterday that ministers from African producing countries, Brazil, Colombia, Indonesia and Central America would meet on August 16 and 17. He said the scheme should be in place the start of the 1993-4 coffee marketing season on October 1.

The coffee retention plan has been well-timed, according to the latest coffee report from E.D & F. Man, the London trade house. "Producer stocks are low and exportable production is around or below annual international demand, which we estimate at some 74m bags."

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Jul 30	Day's change %	Thu Jul 29	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.16	+0.32	127.75	1.22	7.35
2	5-15 years (23)	151.91	+0.63	150.97	1.79	8.07
3	Over 15 years (9)	166.90	+0.67	165.80	1.52	7.18
4	Irredeemables (6)	191.64	+0.86	190.01	2.49	7.35
5	All stocks (63)	147.62	+0.54	146.82	1.56	7.75
	Index-Linked					
6	Up to 5 years (2)	187.14	+0.19	186.78	1.59	1.92
7	Over 5 years (11)	178.49	+0.44	177.70	0.58	3.20
8	All stocks (13)	178.55	+0.41	177.81	0.69	3.05
9	Debs & Loans (65)	137.08	+0.78	136.27	2.74	5.97

AVERAGE GROSS REDEMPTION YIELDS

			Fri Jul 30	Thu Jul 29	Year ago (approx.)	1993 High		1993 Low	
	British Government								
1	Low	5 years	6.62	6.70	8.61	7.22	29/4	6.33	19/2
2	Coupons	15 years	7.62	7.68	8.92	8.37	12/1	7.54	18/3
3	(0%-7¾%)	20 years	7.77	7.83	8.92	8.64	20/1	7.77	30/7
4	Medium	5 years	6.76	6.88	9.50	7.58	11/1	6.73	15/3
5	Coupons	15 years	7.73	7.80	9.13	8.83	19/1	7.73	30/7
6	(8%-10¾%)	20 years	7.82	7.88	9.05	9.05	20/1	7.82	30/7
7	High	5 years	6.97	7.08	9.72	7.78	11/1	6.89	8/3
8	Coupons	15 years	7.97	8.05	9.35	9.11	20/1	7.97	30/7
9	(11%-)	20 years	7.99	8.08	9.24	9.20	20/1	7.99	30/7
10	Irredeemables (Flat Yield)		7.92	7.99	9.13	9.05	20/1	7.92	30/7
	Index-Linked								
11	Inflation rate 5%	Up to 5 yrs	2.75	2.79	4.40	3.03	25/5	1.82	12/2
12	Inflation rate 5%	Over 5 yrs	3.38	3.41	4.56	3.69	14/1	3.36	18/3
13	Inflation rate 10%	Up to 5 yrs	1.97	2.00	3.66	2.31	17/5	0.92	12/2
14	Inflation rate 10%	Over 5 yrs	3.20	3.23	4.40	3.72	14/1	3.19	19/3
15	Debs &	5 years	8.39	8.46	10.69	8.97	4/1	8.41	16/3
16	Loans	15 years	8.66	8.75	10.43	9.94	19/1	9.14	10/3
17		25 years	8.82	8.89	10.29	10.10	19/1	9.38	10/3

Microsoft estimates batter shares

By Louise Kehoe in San Francisco

SHARES of Microsoft, the world's largest computer software company, dropped sharply yesterday as analysts cut their estimates for fiscal 1994 earnings.

Microsoft was trading at $73¼, down $5¾ from Thursday's close, at midday.

The fall followed a meeting with analysts at the company's Redmond, Washington, headquarters where Microsoft warned of slower growth in revenues.

"We are planning for growth, but we do not expect to maintain the 36 per cent revenue growth rate we achieved in fiscal 1993," said Mr Mike Brown, treasurer. First-quarter revenues may be lower than the $1bn recorded for the fourth quarter of fiscal 1993, he added.

Microsoft, which is under investigation by the US Federal Trade Commission for alleged anti-trust violations, stressed the competitive pressures it faced in several segments of the software market.

However, the company also boasted it had overtaken competitors in the markets for spreadsheets and word processors used with the Windows operating system.

Over the past five years, Microsoft's revenues have grown at an average annual rate of 46 per cent. However, Microsoft executives highlighted several market trends that may dampen the company's growth rate this year.

Mr Steve Ballmer, executive vice-president, said much of the growth of Microsoft's sales had been driven by a transition by PC users to Windows, from MS-DOS, an older PC operating system program. With 30m copies of Windows already in use, and sales running at 1.5m copies per month, the transition period would be completed soon, he said.

Mr Ballmer suggested Microsoft's future growth rate would more closely reflect growth in the PC market, which analysts said may be in the range of about 20 per cent per year. He said the company expected more than half of 1994 revenues to come from products introduced during the year, warning that earnings were becoming increasingly linked to new product cycles.

Pricing pressures, particularly in Europe, could also slow revenue growth, Mr Ballmer warned. He said Microsoft's competitors were "being increasingly aggressive in pricing". Although PC software companies seldom drop the list prices for products, the effective selling price is often reduced by so-called "competitive upgrades", discounts offered to users of a rival products.

The price pressure is "most extreme" in Europe, he said. Lotus Development in particular was offering products at "close-to-cost" prices. Microsoft was "not willing to lose market share. That will guide our pricing actions," Mr Ballmer said.

PC manufacturers are increasingly bundling Microsoft Windows and other software programs with their products, Mr Ballmer noted. This could also have a dampening effect on revenue growth, although such sales are more profitable for the software company, he said.

● The US Justice Department is to review documents from the US Federal Trade Commission's anti-trust investigation of Microsoft, according to a report in the Chicago Tribune. The review signals the department may take up the case, following two deadlocked votes by the FTC on whether to file a complaint against Microsoft.

INTERNATIONAL Business Machines has set up a committee of non-executive directors with responsibility for corporate governance issues, such as the appointment and powers of directors, writes Richard Waters in New York.

The move was seen as a further attempt by Mr Lou Gerstner, IBM chairman, to ease shareholder concerns over the composition of the struggling computer group's board. Mr Gerstner indicated at the time of his appointment in April that the make-up of the board would be reviewed to ensure it was "relevant, appropriate and evolving".

The committee is chaired by Mr James Burke, a former chairman of Johnson & Johnson and head of the committee of non-executive directors which picked Mr Gerstner to head IBM earlier this year.

Mr Burke, an IBM director since 1980, is joined in the committee by other long-standing IBM directors, including Mr John Opal, a former chairman. Mr Charles Knight, chairman of Emerson Electric, who was appointed a director last Tuesday, is the only member of the five-man committee not involved with the pre-Gerstner regime at IBM.

The board will be responsible for nominating directors for appointment and "all other issues of corporate governance", IBM said.

BHF-Bank jumps 23% despite rise in bad loan provisions

By Andrew Fisher in Frankfurt

BHF-BANK yesterday reported a jump in earnings for the first half of this year, but also increased its bad lending provisions to take account of the poor state of the economy.

The Frankfurt-based merchant bank's group operating profits were 23 per cent higher during the six months, at DM148m ($86.8m). This was after setting aside DM67m against bad loans, up from DM58m in the same period of 1992.

Partial operating profits, which exclude earnings from the bank's trading on its own account, were up 25 per cent to DM167m.

Like Commerzbank, which this week reported a 16 per cent increase in group operating profits to DM392m, BHF-Bank said it was feeling the effect of Germany's weaker economic performance.

Both banks, however, expect continued profits growth this year. Commerzbank reduced its loan-risk provisions by 20 per cent to DM831m. It said most of this related to domestic lending, with the recession having a serious effect on German industry.

Total lending by Commerzbank remained at around the end-1992 level due to lower credit demand from companies and the bank's selective approach to lending.

The latest round of German bank results are the first to include details of their financial precautions against bad and doubtful debts.

Deutsche Bank has already reported a 13 per cent rise in operating profits, to DM2.6bn, the comparison being with a half of the full 1992 result.

The decision by German banks to release more details of their bad-loan provisions anticipates a new EC directive requiring greater disclosure for the full 1993 accounting year.

In Deutsche Bank's case, risk provisions in the first half were up from DM955m to DM1.38bn.

One of the driving forces behind Commerzbank's profits rise was a sharp rise in commission income, up by 23 per cent to DM869m. The increase reflected a steep rise in securities commissions, the bank said.

India gets a taste of the great world cola battle

INDIANS have done without the real thing for 15 years. Most have done without any soft drinks at all, with average consumption now at three bottles per person per year compared with 700 in the US.

However, Coca-Cola, Pepsi and local manufacturers are entering battle for domination of an already intensely competitive Rs7.5bn ($240m) market which, some believe, will expand fourfold in the next five years.

The government, which is seeking foreign investment as part of its economic reform programme, decided recently to allow Coca-Cola to re-enter India, after having expelled it in 1978 in a drive to reduce the role of multinationals in the Indian economy.

Coca-Cola has decided not to go it alone, despite having government approval to set up a 100 per cent-owned venture. The Atlanta-based company will tie up with Parle Exports, which dominates the Indian soft drinks market with a 60 per cent share.

Pepsi-Cola International, Coke's arch rival around the world, has built up an impressive 30 per cent share of the soft drinks market since its entry two years ago, albeit without using the Pepsi name and operating under several other government-imposed limits.

Last week, it stepped up its campaign by announcing it would buy out Voltas Limited, its primary equity partner, to double its stake to 92 per cent in Pepsi Foods Limited, its food and beverage joint venture.

Pepsi's buy-out will mean greater control of its manufacturing operations in the key markets of Bombay and Gujarat, currently franchised to Voltas, a trading, agrobusiness and engineering company owned by the Tata group.

Pepsi executives blame Voltas for Pepsi's inability to make a dent in the Bombay region, which accounts for nearly 15 per cent of the overall market.

In Bombay, Pepsi and Voltas were taking on Mr Ramesh Chauhan, India's cola king, who heads Parle. He has managed to make Thums Up a generic name for cola in India. Thums Up, which accounts for 40 per cent of Parle's soft drink sales, used lifestyle advertising similar to Coke's "Can't Beat the Feeling" 1980s campaigns. The company spent Rs70m on its advertising blitz last year.

Shira Sidhva finds Pepsi and Coke muscling in for their share of the country's fledgling softs drinks market

A Parle executive describes the battle with Pepsi as a "no-holds-barred, on-the-streets fight – purely a marketing game".

However, a marketing manager at Pepsi retorts with: "We were fighting with our hands tied." Government restrictions on Pepsi forced the company to use an indigenous brand name ("Lehar", meaning "wave") and subjected soft drinks sales to a ceiling of 25 per cent of the company's annual turnover.

The company says: "We will now apply to the government to be treated on par with Coke, and the Pepsi brand name will be introduced soon."

Coca-Cola and Parle will form two joint ventures, one for bottling soft drinks (Parle owns two bottling plants in Bombay and Delhi and has 60 franchised bottling plants across India), and the other for marketing the brands of both companies.

Parle will receive compensation from Coke for putting into the joint venture its successful brands Thums Up cola; Limca, a cloudy lemon drink; Gold Spot, orange; Citra, clear lemon; and Maaza, a mango fruit drink.

Pepsi believes Parle's tie-up with Coke will mean that Coke and Parle's brands will jostle for the Indian cola market to the benefit of Pepsi. "We have dealt with Coke in 152 countries, so we know precisely what we are in for now," says a Pepsi executive.

Pepsi plans to invest Rs9bn in India, mostly in the soft drinks business.

Sales of its cola have grown 33 per cent in 1992, and are up an additional 24 per cent through the first half of this year. The company believes market share will increase once Pepsi is allowed to use its global brand name.

Mr Chauhan, however, has a well-entrenched marketing and distribution network, which he had stubbornly refused to share with a foreign company, even a month ago. "Lots of people ask us what we will do to counter Coca Cola," he had said. "We are the market leaders and it is for the new entrants to work out a strategy to counter us."

Nokia buys Philips cables unit

By Christopher Brown-Humes in Stockholm

NOKIA, the Finnish electronics group, is buying the telecommunication cables business of the Dutch group Philips. The move considerably strengthens the Finnish group's position in the German market.

The purchase, which is effective on August 1, is being made through Nokia's 57 per cent-owned Dutch cable group NKF on undisclosed terms.

The main operations to change hands are an optical fibre cable factory in Cologne and a copper cable manufacturing plant in Nuremburg, which together have some 850 employees and annual net sales of DM300m ($176.5m). The transaction does not include Philips' copper cable plant in Cologne, which the Dutch group has decided to close down.

Nokia has only a small share of the German telecommunication cables market, through its Monette subsidiary, but the purchase from Philips will give it a market position of more than 20 per cent.

Bridgestone slashes forecast

By Gordon Cramb in Tokyo

BRIDGESTONE, the Japanese tyre maker which owns Firestone of the US, yesterday dashed hopes of growth this year, slashing Y9bn ($85m) from its forecast for worldwide net profits and saying it expected sales to fall Y100bn short of original expectations.

It blamed the setback, which would bring a 1.4 per cent dip in earnings compared with last year to Y28bn, on a poor showing by its domestic operations. "Overseas subsidiaries and affiliated companies are still expected to achieve initially forecast financial performance levels," Bridgestone added.

Global sales, at a projected Y1,650bn, would be 5.5 per cent below the 1992 level.

At the Japanese parent company alone, figures released yesterday for the first six months showed pre-tax profits halved to Y13.76bn from Y28.91bn, on sales down 11.3 per cent to Y304.2bn.

The weak Japanese economy brought a drop both in the sales of new cars for which it supplies tyres, and in replacement tyres particularly for commercial vehicles as road freight slackened.

Exports from Japan were maintained in unit terms but revenues decreased with the appreciation of the yen.

Non-tyre operations, which represent more than a quarter of the parent's business, were similarly affected – stronger sales of bathroom fittings and office materials were not enough to offset weak demand for chemicals, car seat materials, water tanks and bedding.

The interim dividend is being held at Y6 a share, drawn from net earnings per share of Y8.11 compared with Y19.83.

Sapporo Breweries lifts payout

By Gordon Cramb

SAPPORO Breweries, Japan's third biggest brewer, is boosting its dividend for 1993, a year in which it has been increasing its share of a flat market for beer and will benefit from special gains.

First-half parent company results released yesterday showed sales 3.9 per cent higher at Y256.3bn ($2.42bn) and pre-tax profits ahead 5.1 per cent to Y4.93bn. A 43.6 per cent jump in net earnings to Y2.98bn was achieved because of a Y2.1bn credit from the liquidation of a can-making subsidiary.

On a per-share basis net earnings were Y8.91 against Y6.21, from which an interim dividend of Y3.50 is being paid, up from Y2.50 a share. The annual payout will rise accordingly to Y7 from Y5, a level which will meet a pledge made by Sapporo as part of a bond issue last year that it would distribute at least 35 per cent of earnings.

Full-year profits are forecast to be unchanged at Y10.7bn before tax and 44 per cent higher at Y5.3bn net. Revenues are projected to grow 5.1 per cent to Y580bn.

In the six months to June its beer division increased interim revenues 3.7 per cent – volume sales were 3 per cent higher although the domestic market as a whole shrank 1.1 per cent. The overall performance was also assisted by 22.3 per cent growth at its soft drinks side.

Former head challenges Canadian jeweller revamp

By Robert Gibbens in Montreal

MR MARVIN Gerstein, a former chairman of Peoples Jewellers, has blocked the group's financial restructuring and challenged the court-appointed senior management to find a better survival plan.

Peoples, Canada's biggest jewellery chain with 220 stores and 1,800 employees, went into bankruptcy protection last December after writing off its 47 per cent interest in Zale, the troubled US jewellery retailer.

Peoples, together with the Swarovski group of Switzerland, had bought Zale for US$650m in a 1986 leveraged buy-out. Later, Zale and Peoples were severely hit by the North American recession.

The restructuring of Peoples, under Ontario court supervision, would have shrunk Mr Marvin Gerstein's 33 per cent equity stake and the 53 per cent held by Mr Irving Gerstein, the former president and Mr Marvin Gerstein's nephew, to 1.5 per cent. Over C$200m (US$156.2m) of debt would have been converted to equity.

Mr Marvin Gerstein voted against the plan at a shareholders' meeting in Toronto on Thursday, so that it failed to win a required two-thirds majority.

A court-appointed receiver, Peat Marwick Thorne, will now decide Peoples' future unless a last-minute buyer appears.

Christofle fends off takeover bid with restructure

By Alice Rawsthorn in Paris

CHRISTOFLE, the French silversmith, yesterday was rescued by its banks when they agreed to a FFr100m ($17.2m) financial restructuring package. The deal should enable the Bouilhet family to retain control of the company.

The Bouilhets, who have run Christofle for six generations, have been fighting to retain control in the face of a takeover bid by Société du Louvre, one of its minority shareholders and a subsidiary of the Taittinger champagne house.

Christofle reported a net loss of FFr39.5m last year on sales of FFr623m.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$405.75	+15.25	$357.95	$405.75	$326.05
Silver Per troy oz	362.50p	+26.75	205.50p	362.50p	236.00p
Aluminium 99.7% (cash)	$1198.25	-10.25	$1316.5	$1240.00	$1108.00
Copper Grade A (cash)	$1971.5	+61.0	£1315.5	$2375.00	$1733.50
Lead(cash)	$392.0	+1.5	£349.25	$460.00	$376.50
Nickel (cash)	$4888	+33	$7250	$6340	$4855
Zinc SHG (cash)	$925.5	+4.0	$1360.0	$1112	$914.5
Tin (cash)	$4837.5	-52.5	$6800	$6047.5	$4960.0
Cocoa Futures (Sep)	£748	-10	£609	£767	£663
Coffee Futures (Sep)	$1037	+44	$744	$1037	$836
Sugar (LDP Raw)	$243.3	-10.4	$265.0	$317.4	$204.5
Barley Futures (Nov)	£103.4	+0.9	£112.65	£110.30	£104.30
Wheat Futures (Nov)	£107.05	-0.80	£114.50	£149.45	£107.05
Cotton Outlook A Index	58.55c	-0.20	64.30c	62.35c	54.75c
Wool (64s Super)	353p	+5	380p	403p	340p
Oil (Brent Blend)	$16.78	+0.13	$20.375x	$19.53	$16.51

Per tonne unless otherwise stated. p-pence/kg. c-cents lb, x-Sep.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.48-4.53u	+0.23
Brent Blend (dated)	$16.87-6.89	-0.32
Brent Blend (Sep)	$16.77-6.79	-0.22
W.T.I (1 pm est)	$17.96-7.98u	-.225
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$193-195	-1
Gas Oil	$160-161	-3
Heavy Fuel Oil	$60-62	+0.50
Naphtha	$163-164	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$405.75	+11.65
Silver (per troy oz)♣	537.5c	+22.0
Platinum (per troy oz)	$413.60	+4.35
Palladium (per troy oz)	$142.00	+0.50
Copper (US Producer)	91.5c	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.40m	
Tin (New York)	223.5c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	130.12p	+0.11*
Sheep (live weight)†♣	92.59p	+0.56*
Pigs (live weight)†	71.55p	-2.06*
London daily sugar (raw)	$243.3	+1.8
London daily sugar (white)	$266.5	+1.5
Tate and Lyle export price	£275.0	+3.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	£147.0	-16.5
Rubber (Sep)♥	59.00p	+0.25
Rubber (Oct)♥	59.50p	+0.25
Rubber (KL RSS No 1 Jul)	206.0m	
Coconut oil (Philippines)§	$457.5v	
Palm Oil (Malaysian)§	$360.0t	
Copra (Philippines)§	310.0c	
Soyabeans (US)	£206.0y	+2.5
Cotton "A" Index	58.56c	+0.15
Wooltops (64s Super)	353p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Aug/Sep u-Sep t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)			
White	Close	Previous	High/Low
Oct	257.20	256.00	257.20 255.20
Dec	257.40	259.50	259.50 257.00
Mar	261.00	260.50	262.20 259.60

White 953 (412) Paris- White (FFr per tonne): Oct 1534.87

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Sep	16.78	16.89	16.95 16.72
Oct	16.92	16.97	17.07 16.85
Nov	17.08	17.10	17.12 17.00
Dec	17.25	17.29	17.31 17.16
Jan	17.23	17.38	17.33 17.24
Feb	17.38		17.41 17.38
Mar	17.49		17.49 17.49
Apr	17.54		17.54
IPE Index	16.96	17.14	

Turnover 19065 (41720)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low
Aug	159.25	162.00	161.25 159.25
Sep	161.00	163.00	162.25 160.50
Oct	163.25	164.75	163.75 162.50
Nov	165.25	166.25	165.25 164.75
Dec	167.50	168.50	168.00 167.00
Jan	169.50	169.75	169.50 169.25
Feb	169.50	169.50	168.50

Turnover 13462 (9920) lots of 100 tonnes

SPICES
Indonesian cassia prices remain firm, reports Man Producten, with a rising trend in European currency terms. Industrial buyers, however, are holding back from covering their needs for autumn grinding. Ka/va sticks for spot delivery are fetching $2,325 a tonne, with shipment offers at $2,215. Madagascar and Seychelles cassia prices are unchanged at $1,100 and $1,275 a tonne cif respectively. Chinese broken cassia is on offer at between $1,300 and $1,350 a tonne, and for whole at $1,500 to $1,550. Nutmeg and mace prices are unchanged with S/A bwp at $700 a tonne, S/A shrivels at $940, S/A abcd at $1,100.

COCOA – LCE (£/tonne)	Close	Previous	High/Low
Jul	748	735	744 728
Sep	748	744	755 746
Dec	764	756	767 759
Mar	781	775	784 776
May	792	787	793 788
Jul	801	797	800 799
Sep	812	808	812 811
Mar	838	832	837

Turnover: 2269 (5408) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 29 748.48 (746.46) 10 day average for Jul 30 764.09 (768.12)

COFFEE – LCE ($/tonne)	Close	Previous	High/Low
Jul	1038	984	995 1020
Sep	1038	1014	1044 1025
Nov	1043	1018	1050 1020
Jan	1036	1011	1045 1018
Mar	1037	1011	1044
May	1036	1008	1029 1018
Jul	1040	1005	1018

Turnover: 4127 (2381) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 29 Comp. daily 62.73 (62.30) 15 day average 61.17 (60.98)

POTATOES – LCE (£/tonne)	Close	Previous	High/Low
Apr	82.1	81.6	82.2 81.1
May	92.5	92.8	93.0 92.5

Turnover 87 (198) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)	Close	Previous	High/Low
Oct	176.50	176.00	176.50
Dec	177.50		177.50
Feb	178.50		178.50
Apr	179.00		179.00

Turnover 40 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)	Close	Previous	High/Low
Aug	1310	1297	1315 1310
Sep	1338	1329	1340
Oct	1388	1370	1393 1380
Nov	1399	1390	1405 1385
BFI	1339	1344	

Turnover 92 (75)

GRAINS – LCE (£/tonne)	Close	Previous	High/Low
Wheat			
Sep	105.85	106.05	106.05
Nov	107.05	107.00	107.25 106.90
Jan	109.05	109.00	109.25 109.00
Mar	110.90	111.00	111.25 110.90
May	112.95	113.10	113.20
Barley			
Sep	101.40	101.40	101.40
Nov	103.40	103.25	103.50
May	108.75	108.75	108.90

Turnover: Wheat 423 (165), Barley 52 (39).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg	Close	Previous	High/Low
Aug	100.7	100.6	100.7 100.5
Feb	102.3		102.5

Turnover:8 (8)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,442 lots
Cash	1196-6.5	1197.5-98.5		1192.5-3.0		
3 months	1218.5-9.0	1220.5-21	1220/1215	1215.5-6.0	1219-9.5	n/a lots
Copper, Grade A ($ per tonne)						Total daily turnover 49,698 lots
Cash	1971-2	1960-62	1970	1969.5-70.0		
3 months	1987-7.5	1965.5-66	1972/1960	1965.5-6.0	1971-2	n/a lots
Lead ($ per tonne)						Total daily turnover 2,420 lots
Cash	391.5-2.5	392.5-93	391.5/391	391-1.5		
3 months	404.5-5.0	405-05.5	405/404	404-4.5	404.5-5.0	n/a lots
Nickel ($ per tonne)						Total daily turnover 6,431 lots
Cash	4883-93	4970-80		4860-1		
3 months	4935-45	5025-30	5020/4900	4910-1	4940-5	n/a lots
Tin ($ per tonne)						Total daily turnover 930 lots
Cash	4835-40	4860-70		4825-35		
3 months	4885-90	4915-20	4910/4875	4885-90	4885-90	n/a lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,296 lots
Cash	925-6	920-21	919.5/919	919.5-20.0		
3 months	941-1.5	936-37	942/935	935.5-6.0	938-40	n/a lots

LME Closing £/$ rate:
SPOT: 1.4849 3 months: 1.4755 6 months: 1.4685 9 months: 1.4643

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	405.50-406.00	
Opening	401.90-402.40	
Morning fix	403.70	272.770
Afternoon fix	401.75	271.269
Day's high	406.00-406.50	
Day's low	401.00-401.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.66	6 months	2.69
2 months	2.66	12 months	2.89
3 months	2.68		

Silver fix	p/troy oz	US cts equiv
Spot	358.35	530.00
3 months	363.40	533.95
6 months	368.20	535.65
12 months	377.55	548.55

GOLD COINS	$ price	£ equivalent
Krugerrand	403.50-406.50	272.00-274.00
Maple leaf	418.40-419.00	-
New Sovereign	95.50-98.50	64.00-66.00

TRADED OPTIONS

Aluminium (99.7%)	Calls Aug	Calls Oct	Puts Aug	Puts Oct
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	27	57	3	15
1200	9	41	8	24
1225	3	28	26	36
Copper (Grade A)				
1900	80	108	3	34
1950	37	78	7	53
2000	10	54	30	79
Coffee	Sep	Nov	Sep	Nov
850	188	197	-	4
900	139	154	1	11
950	93	115	5	22
Cocoa	Sep	Dec	Sep	Dec
725	33	80	10	41
750	18	66	20	52
775	9	54	36	65
Brent Crude	Sep	Oct	Sep	Oct
1700	12	45	26	54
1750	2	25	68	-
1800	3	11	-	121

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Aug	407.0	397.8	407.5	401.0
Sep	408.0	398.8	408.0	403.5
Oct	409.2	400.1	409.8	403.2
Dec	411.3	402.2	411.7	405.5
Feb	413.4	404.2	414.5	407.7
Apr	415.5	406.3	414.5	409.9
Jun	417.5	408.3	417.2	412.0
Aug	419.7	410.4	414.0	414.0
Oct	421.8	412.4	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	418.9	414.9	420.9	416.0
Jan	419.9	415.9	421.2	417.7
Apr	420.9	416.9	423.0	419.0
Jul	421.7	417.7	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Aug	539.2	520.4	527.0	527.0
Sep	540.8	522.0	541.5	527.0
Oct	523.5	523.5	0	0
Dec	546.4	527.4	547.5	533.0
Jan	547.0	528.0	0	0
Mar	552.0	532.8	553.0	539.0
May	556.2	536.9	555.0	545.0
Jul	559.9	540.6	562.0	548.0
Sep	564.0	544.5	553.0	553.0
Dec	570.0	550.4	570.0	558.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	87.95	87.25	88.00	87.30
Sep	88.30	87.65	88.40	87.55
Oct	88.30	87.75	88.00	88.00
Nov	88.30	87.80	87.80	87.80
Dec	88.30	87.80	88.30	87.65
Jan	88.35	87.90	0	0
Feb	88.40	87.95	0	0
Mar	88.50	88.10	88.40	88.10
Apr	88.60	88.20	0	0
May	88.65	88.25	88.40	88.40

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Sep	17.92	18.12	18.10	17.90
Oct	18.20	18.33	18.31	18.15
Nov	18.38	18.49	18.45	18.35
Dec	18.49	18.60	18.55	18.46
Jan	18.65	18.71	18.67	18.58
Feb	18.72	18.79	18.72	18.68
Mar	18.80	18.87	18.82	18.76
Apr	18.87	18.93	18.87	18.85
May	18.90	18.99	18.90	18.90
Jun	18.99	19.05	18.99	18.97

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Aug	50.50	50.82	50.85	50.40
Sep	51.35	51.66	51.60	51.20
Oct	52.40	52.69	52.50	52.30
Nov	53.45	53.72	53.55	53.30
Dec	54.50	54.75	54.60	54.30
Jan	55.25	55.45	56.27	55.00
Feb	55.55	55.65	55.55	55.40
Mar	54.85	54.85	54.85	54.65
Apr	53.80	53.85	53.80	53.65
May	52.95	53.00	52.95	52.85

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Sep	939	940	951	938
Dec	979	980	991	977
Mar	1011	1013	1021	1010
May	1032	1034	1033	1033
Jul	1052	1054	0	0
Sep	1072	1074	0	0
Dec	1095	1097	0	0
Mar	1116	1118	0	0
May	1134	1136	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Sep	76.55	74.10	77.90	75.20
Dec	79.05	76.75	80.30	78.00
Mar	81.15	78.95	82.40	80.00
May	82.60	80.30	83.50	81.40
Jul	84.00	81.80	0	0
Sep	85.40	83.30	0	0
Dec	88.15	85.80	88.50	86.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	9.36	9.28	9.36	9.18
Mar	9.68	9.71	9.75	9.60
May	9.76	9.79	9.85	9.70
Jul	9.81	9.84	9.93	9.81
Oct	9.81	9.84	9.84	9.81

COTTON 50,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	59.62	60.55	60.35	59.22
Dec	60.81	61.84	61.70	60.25
Mar	62.15	63.10	62.85	61.60
May	62.75	63.71	62.50	62.50
Jul	63.13	64.11	63.60	63.06
Oct	60.60	61.56	0	0
Dec	61.65	61.63	61.55	61.50

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Sep	117.50	114.90	118.00	115.95
Nov	120.70	117.50	121.25	119.70
Jan	122.75	119.65	123.25	120.75
Mar	124.05	121.45	124.05	123.00
May	126.25	121.75	125.00	123.00
Jul	126.75	122.45	0	0
Sep	124.95	121.45	0	0
Nov	124.95	121.45	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)	Jul.30	Jul.29	mnth ago	yr ago
	1649.1	1644.3	1669.5	1555.4

DOW JONES (Base: Dec. 31 1974 = 100)	Jul.29	Jul.28	mnth ago	yr ago
Spot	124.16	124.16	120.13	116.60
Futures	130.40	130.42	119.86	118.19

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Aug	685/4	689/6	692/4	684/4
Sep	688/4	692/0	694/4	686/0
Nov	688/0	692/6	695/0	687/0
Jan	690/4	695/4	697/4	690/0
Mar	693/0	697/2	699/0	692/4
May	694/0	697/4	696/4	692/4
Jul	693/0	697/4	700/0	692/0
Aug	685/0	686/2	687/0	684/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	23.21	23.19	23.43	23.13
Sep	23.34	23.34	23.58	23.29
Oct	23.49	23.48	23.75	23.45
Dec	23.71	23.69	23.97	23.66
Jan	23.80	23.73	24.05	23.72
Mar	23.95	23.85	24.15	23.95
May	24.02	23.90	24.15	23.95
Jul	23.96	23.88	24.20	23.96

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Aug	226.3	226.3	229.0	226.1
Sep	222.4	225.1	226.2	222.3
Oct	220.1	223.1	223.0	220.0
Dec	219.3	222.2	223.0	219.0
Jan	218.5	221.2	221.2	218.0
Mar	217.3	219.7	220.2	217.0
May	216.5	218.0	218.0	216.0
Jul	214.0	215.0	216.8	214.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Sep	236/6	239/0	239/2	236/4
Dec	241/6	244/6	245/0	241/0
Mar	249/2	251/6	252/0	248/6
May	254/0	256/6	256/4	253/6
Jul	255/6	258/4	258/6	256/4
Sep	244/2	246/4	246/6	244/0
Dec	237/0	239/0	239/0	236/6

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Sep	304/0	308/4	309/6	305/4
Dec	312/4	317/0	318/0	312/0
Mar	316/2	320/0	321/0	316/0
May	311/6	314/0	315/4	311/4
Jul	303/2	303/6	305/0	302/6
Sep	306/4	306/6	306/4	306/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	75.850	75.575	75.950	75.450
Oct	75.200	75.075	75.300	74.900
Dec	75.275	76.075	75.475	74.950
Feb	75.650	75.350	75.775	75.300
Apr	76.650	76.350	76.800	76.400
Jun	73.425	73.075	73.675	73.225
Aug	72.300	72.050	72.550	72.025

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Aug	48.925	49.000	49.225	48.650
Oct	45.725	45.675	46.050	45.575
Dec	46.475	46.875	46.950	46.400
Feb	46.250	46.500	46.575	46.100
Apr	44.850	44.925	44.950	44.625
Jun	49.750	49.825	49.800	49.600
Jul	48.675	48.600	48.700	48.650

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	45.150	44.225	45.725	44.100
Feb	51.775	52.400	52.950	50.750
Mar	51.050	51.900	52.600	50.300
May	52.600	53.300	53.500	52.600
Jul	52.325	52.325	52.600	0
Aug	53.500	53.500	0	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Massive ERM intervention

THE EUROPEAN exchange rate mechanism appeared to be on the brink of collapse yesterday after massive intervention from 6 ERM central banks failed to keep the French franc above its floor in the monetary system, *writes James Blitz.*

Yesterday's currency intervention by the Bundesbank appeared to be in the order of DM60bn, one of the largest operations conducted by a central bank in a single day of trading. One Bundesbank council member, Mr Johann Wilhelm Gaddum, may also have helped to support the franc by saying that German call money could fall through its discount rate.

But at the end of what was probably the most hectic session of ERM trading ever, three currencies – the French franc, Belgian franc and Danish krone – were on their ERM floors. After ERM trading closed, central banks did not support these currencies and the French franc traded below its ERM floor, coming as low as FFr3.4330 to the D-Mark.

There were strong indications last night that a meeting of the EC Monetary Committee was being convened, but these could not be confirmed.

At the start of European trading yesterday, the French franc was hovering above the FFr3.4180 level which the Bank of France had pledged to defend at the end of last week.

But, at about 0900 GMT yesterday, the French authorities appear to have allowed the franc to fall to its ERM floor of FFr3.4305. One dealer suggested that the announcement by Mr George Soros, the hedge fund player, may have coincided with a wave of speculation by more short term players.

But, by allowing the franc to fall to its floor in the system, France's tactic may have been to put the onus on the Bundesbank to support the franc, which it is obliged to do under ERM rules.

"The French have been very clever," said one analyst. "They are effectively saying to the Bundesbank that the only way the system can be saved is by German intervention, or a cut in German interest rates." However, with the dollar closing last night at DM1.7405, up nearly a pfennig on the day, the prospects for a cut were minimal.

There were strong suggestions last night that ERM members could contemplate a widening of the bands for the core currencies this weekend, broadening the current permitted fluctuation of 2.25 per cent to perhaps 6 per cent.

But Mr Neil MacKinnon, chief currency strategist at Citibank, said this would not be credible in the long term. "The move would not allow France to cut interest rates, which is the key to this crisis," he said.

£ IN NEW YORK

Jul 30	Latest	Previous Close
£ Spot	1.4855-1.4865	1.4815 1.4825
1 month	0.35-0.34pm	0.37 0.36pm
3 months	0.97-0.95pm	0.98 0.97pm
12 months	2.60-2.50pm	2.75 2.68pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jul 30	Previous
8.30 am	81.5	81.4
9.00 am	81.3	81.3
10.00 am	81.4	81.3
11.00 am	81.4	81.5
Noon	81.4	81.4
1.00 pm	81.4	81.4
2.00 pm	81.5	81.5
3.00 pm	81.5	81.7
4.00 pm	81.6	81.6

CURRENCY RATES

Jul 30	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.932423	0.752883
U.S Dollar	3.00	1.39276	1.11432
Canadian $	4.41	1.79290	1.43190
Austrian Sch	6.25	16.8844	13.6504
Belgian Franc	8.00	49.6085	40.6559
Danish Krone	9.25	9.30085	7.56455
D-Mark	6.75	2.39824	1.93969
Dutch Guilder	5.75	2.68608	2.18496
French Franc	10	8.15946	6.65304
Italian Lira	9.00	2224.98	1800.20
Japanese Yen	2.50	147.702	116.223
Norway Krone	-	10.2256	8.31727
Spanish Peseta	-	194.903	160.716
Swedish Krona	11.50	11.2270	9.25218
Swiss Franc	4.50	2.10864	1.70212
Greek Drach	19	N/A	266.422
Irish Punt	-	N/A	0.805201

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland
† European Commission Calculations.
* All SDR rates are for Jul 29

CURRENCY MOVEMENTS

Jul 30	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.5	-27.82
U.S Dollar	66.2	-11.40
Canadian Dollar	94.2	-8.27
Austrian Schilling	112.9	+15.27
Belgian Franc	111.6	-0.93
Danish Krone	114.6	+9.46
D-Mark	121.6	+29.80
Swiss Franc	112.7	+21.61
Dutch Guilder	117.1	+19.73
French Franc	106.1	-8.72
Lira	80.4	-34.07
Yen	188.0	+125.94
Peseta	82.5	-35.50

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Jul 29

OTHER CURRENCIES

Jul 30	£	$
Argentina	1.4765 - 1.4780	0.9980 - 0.9990
Australia	2.1540 - 2.1560	1.4750 - 1.4760
Brazil	105266 - 105275	71150.0 - 71158.0
Finland	8.7555 - 8.8355	5.9500 - 5.9700
Greece	349.450 - 356.550	236.100 - 240.900
Hong Kong	11.4590 - 11.4710	7.7550 - 7.7580
Iran	2345.00 - 2355.00	1580.00 - 1590.00
Korea(Sth)	1186.20 - 1205.35	803.40 - 808.80
Kuwait	0.44600 - 0.44700	0.30150 - 0.30200
Luxembourg	54.35 - 54.45	36.60 - 36.70
Malaysia	3.7890 - 3.7950	2.5625 - 2.5635
Mexico	4.6125 - 4.6155	3.1175 - 3.1195
N Zealand	2.6705 - 2.6740	1.8050 - 1.8075
[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.18496	-0.54	4.75	43
D-Mark	1.94964	1.93969	-0.51	4.73	58
Irish Punt	0.808628	0.805201	-0.42	4.64	34
Belgian Franc	40.2123	40.6559	1.10	3.08	-37
Danish Krone	7.43679	7.56455	1.72	2.43	-63
French Franc	6.53883	6.65304	1.75	2.40	-78
Portuguese Escudo	192.854	199.465	3.44	0.73	-62
Spanish Peseta	154.250	160.718	4.19	0.00	-67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]
[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]
[illegible]

EURO-CURRENCY INTEREST RATES

Jul 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						
Dutch Guilder	6⅞ - 6¾	6⅞ - 6⅝	6⅞ - 6¾	6⅞ - 6⅜	6¼ - 6⅛	6⅛ - 5⅞
Swiss Franc	5 - 4¾	4⅞ - 4⅝	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞
D-Mark	7⅞ - 7⅞	7⅞ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞	6¾ - 6⅝
French Franc	25 - 20	40 - 35	15 - 13	9⅛ - 8½	8 - 7	6¾ - 6⅝
Italian Lira	11 - 9	10 - 9	9⅞ - 9⅞	9½ - 9	9⅞ - 8⅞	9⅞ - 8⅞
Belgian Franc	11 - 10	11 - 10	10⅞ - 9⅞	9 - 8	7⅞ - 6⅞	7⅞ - 6⅞
Yen	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛
Danish Krone	20 - 10	100 - 50	30 - 20	20 - 15	12 - 10	9½ - 8½
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4⅞ - 3⅞
Spanish Peseta	14½ - 13	20 - 18	14 - 13¾	12 - 11½	10⅞ - 10⅝	10⅞ - 9⅞
Portuguese Esc	15¼ - 14¼	15 - 14	14½ - 13½	13 - 12	12½ - 11½	11¼ - 10¾

Long term Eurodollars: two years 4⅞-4⅞ per cent; three years 4⅞-4¾ per cent; four years 5¼-5⅛ per cent; five years 5½-5⅜ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 30	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.485	2.585	155.8	8.840	2.280	2.913	2395.	1.905	54.40	215.3	1.362
$	0.673	1	1.741	104.9	5.953	1.522	1.962	1613	1.283	36.63	145.0	0.917
DM	0.387	0.574	1	60.27	3.420	0.874	1.127	926.5	0.737	21.04	83.29	0.527
YEN	6.418	9.531	16.59	1000.	56.74	14.51	18.70	15372	12.23	349.2	1382	8.742
F Fr.	1.131	1.680	2.924	176.2	10.	2.557	3.295	2709	2.155	61.54	243.6	1.541
S Fr.	0.442	0.657	1.144	68.94	3.912	1	1.289	1060	0.843	24.07	95.27	0.603
N Fl.	0.343	0.510	0.887	53.48	3.035	0.776	1	822.2	0.654	18.67	73.91	0.468
Lira	0.418	0.620	1.079	65.05	3.691	0.944	1.216	1000.	0.795	22.71	89.90	0.569
C $	0.525	0.780	1.357	81.78	4.640	1.186	1.529	1257	1	28.56	113.0	0.715
B Fr.	1.838	2.730	4.752	286.4	16.25	4.154	5.355	4403	3.502	100.	395.8	2.504
Pta	0.464	0.690	1.201	72.36	4.106	1.050	1.353	1112	0.885	25.27	100.	0.633
Ecu	0.734	1.090	1.898	114.4	6.490	1.659	2.139	1758	1.399	39.94	158.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4850	1.4816	1.4754	1.4688	1.4590
D-mark	2.5850	2.5874	2.5909	2.5970	2.6030
French Fr.	8.8400	8.9048	8.9224	8.9260	8.9397
Swiss Fr.	2.2800	2.2581	2.2541	2.2487	2.2352
Yen	155.75	155.49	154.69	153.74	151.97

MONEY MARKETS

Flying futures

European markets yesterday made up for the complete lack of certainty about the present by confidently betting on future interest rate cuts, *writes Stephanie Flanders.*

In France, the September Pibor contract rose a full 96 basis points, closing in Europe at 93.72, while in Germany, September Euro-marks gained 13 points to finish in Frankfurt at around 93.47. Less dramatically, perhaps, trading in sterling futures also caught the mood, with September sterling up 8 basis points at 94.42 as the week ended.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The Pibor contract's giddy rise was driven by the belief that, come what may, interest rates would be lower in France by the autumn. With the French franc still within the ERM at the end of trading, the expectation of lower rates could clearly not be reflected in lower french money market rates, which remained high throughout the day.

"This kind of very sharply inverted curve right down the money market curve is just what you would expect," said one London-based analyst. "Forward rates have to be much lower because we know rates will fall. But we're still in the dark about the ERM."

French and German futures were further helped during the afternoon by a Bundesbank council member's assertion that the German repo rate could fall below the official discount rate.

In Frankfurt, cash rates were softened by the effect of mass central bank interventions. These have produced vast quantities of liquidity which the German authorities made no effort to remove yesterday in any issue of treasury bills.

Trading in sterling futures appeared to be following events in Europe, although at least one London analyst considered the market to be making a mistake.

"If the ERM breaks down," he said, "that should mean lower rates in Europe, which will provide a stimulus to economic activity. To the extent that it was lack of demand that worried the CBI earlier this week, I do not see why lower European rates should signal a UK base rate cut before October."

On balance, the UK markets still seem to favour a cut in official interest rates between the September and December contracts, as is indicated by the spread between the two futures contracts. At the end of Friday the gap stood at around 34 basis points, compared to 25 points on Wednesday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jul 30) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3⅛	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.88	Three year	4.42
Broker loan rate	5	Two month	2.77	Five year	5.14
Fed.funds	3⅛	Three month	3.09	Seven year	5.43
Fed.funds at intervention	-	Six month	3.28	10-year	5.80
		One year	3.50	30-year	6.57
		Two year	4.13		

Jul 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.90-7.10	-	-	-	-	7.75
Paris	9⅞-11⅞	9.4-10.0	-	8¼-8¾	-	6.75
Zurich	4¾-5	4⅝-4¾	-	4⅞-4⅞	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	3¼-3⅜	-	-	-	-	-
Milan	9⅞-10⅞	9⅞-9⅞	-	9½-9⅝	-	-
Brussels	-	-	-	-	-	-
Dublin	-	-	-	-	-	-

LONDON MONEY RATES

Jul 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6⅞	6⅛	6	5⅞	5¾	5⅞
Interbank Bid	4½	5⅞	5⅞	5⅞	5½	5⅞
Sterling CDs	-	-	5⅞	5¾	5⅝	5⅝
Local Authority Deps.	5¾	5⅞	5⅞	5¾	5⅞	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6½	5⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6	5⅞	5¾	5⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]
[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
118	3.12	-	-	0.06	0.42	-
119	2.20	2.20	-	0.11	-	-
120	1.40	1.56	-	0.26	0.98	-
121	0.69	1.03	-	0.60	1.49	-
122	0.30	0.68	-	1.22	2.10	-
Open Int	141,890	56,887	19,985	187,410	42,097	12,995

Estimated volume 89,903 † Total Open Interest 461,244
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth	3-mth	6-mth	12-mth
1.4850	1.4816	1.4754	1.4688	1.4590

BANK RETURN

BANKING DEPARTMENT	Wednesday July 28, 1993		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	2,006,815,861	-	754,595,761
Bankers Deposits	1,480,424,591	-	80,522,989
Reserve and other Accounts	3,975,784,252	+	54,062,040
	7,477,577,704	-	781,056,710
ASSETS			
Government Securities	1,204,197,132	+	49,535,000
Advance and other Accounts	5,823,523,841	-	274,118,574
Premises Equipment & other Secs	443,411,764	-	551,667,741
Notes	6,224,161	-	4,795,278
Coin	220,986	-	10,117
	7,477,577,704	-	781,056,710
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	17,173,775,839	+	104,795,278
Notes in Banking Department	6,224,161	-	4,795,278
	17,180,000,000	+	194,379,163
ASSETS			
Government Debt	11,015,100		
Other Government Securities	6,554,252,357	-	94,379,163
Other Securities	10,614,732,543	+	194,379,163
	17,180,000,000	+	100,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]
[illegible]

Money Market Bank Accounts

[illegible]
[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ϕ Bargains done the previous day.

British Funds, etc

Treasury 13¼% Stk 2000/03 - £133½
Exchequer 10½% Stk 2005 - £120¾ 120⅝ (27Jy93)
Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £130.95 1 (27Jy93)
Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Br£10000&100000) - £130½ ⅞ ⅞ (26Jy93)

Corporation and County Stocks

UK Public Boards

Foreign Stocks, Bonds, etc (coupons payable in London)

International Bank for Rec & Dev 10% Bds 1999(Br£1000&10000) - £111 (26Jy93)
Italy(Republic of) 10½% Bds 2014 (Br£10000&50000) - £114½ (26Jy93)
Ladbroke Group PLC 5⅛% Subord Cnv Bds 2004(Br£1000&5000) - £131½
Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £101¼ϕ

Land Securities PLC 9½% Bds 2007(Br£1000&10000) - £104⅞ (26Jy93)
Land Securities PLC 6¾% Cnv Bds 2002(Br£1000) - £102½ (23Jy93)
Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £115¼ (28Jy93)
Lasmo PLC 7¾% Cnv Bds 2005(Br£1000&10000) - £87¾ 8 (26Jy93)
Lasmo PLC 9½% Nts 1999 (Br £ Var) - £103¾ (27Jy93)
Leeds Permanent Building Society 7½% Nts 1997(Br£Var) - £100⅝
Leeds Permanent Building Society 10½% Subord Bds 2018 (Br £Var) - £111⅛
Leeds Permanent Building Society Collared

Corporation Stocks - Foreign

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Ord $0.01 - £9.8ϕ 9.9372ϕ
Aitken Hume International PLC 7% (Net) Cnv Cum Red Prf £1 - 95
Albert Fisher Group PLC ADR (10:1) - $9.35 (26Jy93)
Alexon Group PLC 8.25p (Net) Cnv Cum Red Prf 10p - 64 5
Allied London Properties PLC 10¾% 1st Mtg Deb Stk 2025 - £110 (27Jy93)
Allied-Lyons PLC ADR (1:1)
Allied-Lyons PLC 5½% Cum Prf £1 - 60 (28Jy93)
Allied-Lyons PLC 7½% Cum Prf £1 - 81 (28Jy93)
Allied-Lyons PLC 11¾% Deb Stk 2009 - £125⅝
Allied-Lyons PLC 6¼% Uns Ln Stk (27Jy93)
Allied-Lyons PLC 7¾% Uns Ln Stk - £99
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 69½ (28Jy93)
Amber Day Holdings PLC 10% Cum Red Prf 99/2002 £1 - 105 (28Jy93)
American Brands Inc Shs of - $33 (27Jy93)
Andrews Sykes Group PLC 70
Anglian Water PLC 5⅛% Index-Linked 2008(3.1024%) - £135
Associated British Foods PLC Stk 87/2002 50p - 41½
Associated British Foods PLC Stk 87/2002 50p - 47½
Attwoods PLC ADR (5:1)
Attwoods (Finance) NV 8½p 5p - 95 6
Automated Security(Hldgs) PLC Red Prf £1 - 93 (28Jy93)
Automated Security(Hldgs) PLC Red Prf £1 - 78
Automotive Products PLC Prf £1 - 56 (27Jy93)
Automotive Products PLC

Commercial Union PLC £1 - 119 ¼
Cookson Group PLC 4.9% Pfd
Cookson Group PLC 4.9% Cum 70 (28Jy93)
Cooper (Frederick) PLC 6.5p (Net) Cum Ptg Prf 10p - 90 (27Jy93)
Courtaulds PLC ADR (1:1) - $8
Courtaulds PLC 5½% Uns Ln Stk £96 (27Jy93)
Courtaulds PLC 6½% Uns Ln Stk £98
Courtaulds PLC 7¼% Uns Ln Stk £96½ (28Jy93)
Courtaulds PLC 7¾% Uns Ln Stk £100ϕ
Courtaulds Clothing Brands Ld Prf Stk £1 - 70 (27Jy93)
Coventry Building Society 12⅛% MandatorilyCnvSubNts Reg
Crowther(John Edward)(Hldgs) PLC Cum Prf £1 - 60 (23Jy93)
Daily Mail & General Trust PLC £93 4½
Dalgety PLC 4.85% Cum Prf £1
Daras Estates PLC 7.75% Cnv Cum £1 - 7½
Debenhams PLC 6¼% 2nd Deb £97½ (23Jy93)
Debenhams PLC 7¼% 2nd Deb £99½
Debenhams PLC 7¼% Uns Ln Stk £87
Debenhams PLC 7¾% Uns Ln Stk £88
Delta PLC 3.15% Cum 2nd Prf £1 (28Jy93)

Investment Trusts

USM Appendix

Rule 535(2)

Adams & Neville Fund Management Worldinvest Bond Fund Inc - £1.599
All England Lawn Tennis Ground Ld Deb 91/95 £2000 - £10750ϕ

RULE 535 (4) (a)
Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Bank of East Asia 312ϕ (27/7)
Beach Petroleum 4½ (26/7)
Brown-Forman A $52.79 (23/7)
Centaur Mining A$0.118ϕ0.13052 (26/7)
Churchill Resources 13.0
City Developments S$4.295518ϕ (26/7)
Cons. Exploration 4.0
Devex 26 (26/7)
Forest Labs $31.625
Harland (John H) $26⅜ϕ (26/7)
Mogul Mining A$0.2318 (27/7)
North Flinders Mines 600 (26/7)
Oil Search 30.2 (26/7)
Orbit Oil & Gas 115 (26/7)
Robinson A$7.8285 (27/7)
Rutgerswerke DM270.5
Selangor Coconuts 42
Storer Comms. SK340.5,342.0
Utd. Plantations Berhad M$3.55249ϕ (26/7)
Walhalla Mining Co. 7.5
Windsor Res. 9ϕ (26/7)

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FT-SE ACTUARIES INDICES

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Equities boil over as account closes

By Terry Byland, UK Stock Market Editor

Account Dealing Dates		
First Dealings:		
Jul 19	Aug 2	Aug 16
Option Declarations:		
Jul 29	Aug 12	Sep 2
Last Dealings:		
Jul 30	Aug 13	Sep 3
Account Day:		
Aug 9	Aug 23	Sep 13

*New time dealings may take place from 8.30am two business days earlier.

SPECULATION that the turmoil in ERM currencies will swiftly lead to interest rate cuts throughout the EC continued to drive UK shares ahead yesterday before the equity market boiled over at mid-session as the end of the trading account brought out the profit-takers.

Although the FT-SE Index was only 8.9 points up at 2,926.5 at the close, after showing a gain of 21.9 earlier, there was no relaxation of the nervous tensions of the previous session. It was a day of rumours, counter-rumours and denials, mostly from currency traders, and London equity dealers went home asking themselves whether the French franc – "or the ERM" – would survive the weekend.

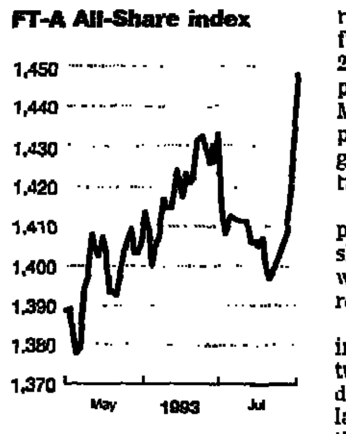
In the gilt-edged market, long dates added about ½ a point, with the shorts up about ⅛. The Bank of England announced the issue of a further £1.3bn of existing bonds.

After opening quietly, shares moved strongly ahead on widespread demand from home and abroad, stimulated by rumours, soon denied, that the Bundesbank was holding a "special meeting to cut German rates".

The drive forward again came from stock index futures where the September contract reached a 20-point premium to trade above the existing peak of the underling cash market. However, the Footsie topped out yesterday at 2,939.5, still 17.8 below the closing peak of March 8. The second half of the session saw both futures and share prices come back smartly.

Last night, the Footsie showed a gain of around 3.3 per cent over the two-week equity account, accounted for entirely by this week's advance of 98.8 points as currency developments were translated into expectations of interest rate cuts. The excitement also fuelled gains in the FT-SE Mid 250 Index, up 33.5 to a new peak of 3,306.5 yesterday. The Mid 250 has risen by 103.6 points this week, making a gain of 2.8 per cent over the trading account.

FT-A All-Share index



Seaq volume, swollen by profit-taking, jumped to 763.4m shares from 692m on Thursday when retail or customer worth rose to £1.7bn.

Some dealers sounded warning bells when the market turned off so quickly yesterday. At Strauss Turnbull, Mr Ian Harnett commented that the interest rate cut apparently already factored into the market was "essential" if the Footsie was to reach his 3,000 target for this year.

Lloyds hit by sellers

AFTER announcing interim results, Lloyds Bank was left largely friendless, and the share price was driven down 25 to 557p in the highest turnover for several months at 9.3m.

Some analysts were puzzled at the market's reaction to the figures, which they considered dull rather than too disappointing for a sector which is generally going through a tough period. At first the results were cautiously received; then a fuller slide took shape in later trading as profit-takers moved in.

While many specialists believe the stock to be fully-valued at its present level, few were willing to take too negative a tack. Mr Richard Coleman at James Capel, retaining his hold stance, said: "It is still very tough in UK banking as a whole – it is over-supplied. But Lloyds still has the highest yield in the sector." One analyst said he was considering changing the recommendation on Lloyds from a switch/sell to a hold, while another added: "I don't know what people were expecting. These figures were in line with forecasts."

Analysts meet the bank on Monday and will hold off any reviews of their gradings until then.

Sharelink debut

The first day's trading in Sharelink, the Birmingham-based execution-only dealer in equities and traded options, saw hefty activity with 3.1m shares traded. The shares, which came to the market at 250p, made their debut at 280p. They closed the day at 288p, after touching 299p. Nearly 4m shares were offered to the public which was 7.9 times over-subscribed. A similar amount of stock was placed with institutions.

Generators firm

A preliminary inquiry into electricity industry pricing was greeted calmly by market watchers who thought that Professor Stephen Littlechild, the industry regulator, had left open sufficient options for the generators to respond positively. The relaxed tone in the market enabled National Power to climb 6 to 367p with PowerGen putting on 7 to 394p.

Several regional electricity companies moved ahead on the wave that has carried them for several days – their high yields. East Midlands went up 8 to 496p; Northern added 7 to 549p and Seeboard improved 6 to 555p.

There was more positive comment on the possible sale of Augustus Barnett, owned by Bass, to Allied Lyons' Victoria Wines. Analysts said the final outcome was likely to involve Bass's being able to continue to supply its products through the enlarged chain. A price tag of around £45m has been put on the proposed deal by analysts. Bass put on 5 to 487p, Allied 4 to 574p.

In telecoms, Investors again shunned BT ordinary shares, which ended the day a penny down at 414½p.

Profit-taking left Cable and Wireless (C&W) 3½ off at 811p. The stock had surged on Thursday on the back of a positive message to analysts from Hong Kong Telecom, in which C&W has a majority stake.

After a dramatic week in the pharmaceutical sector, which saw global tie-ups in the OTC markets, a $6bn takeover in the US and the first results from Zeneca, most stocks stopped to pause for breath. Glaxo weakened as the market fretted over an important court case due to start soon. The shares lost 8½ to 547½p. SmithKline Beecham declined 16 to 445p, Wellcome 8 to 687p and Zeneca 11½ to 634½p.

Food retail stocks continued their recent rally, with Argyll Group leading the way. The shares closed 10 ahead at 319p. Elsewhere, Iceland gained 7 to 216p, Morrison 5 to 142p and J Sainsbury 9 to 475p. However, sector specialists cautioned that the rally was likely to be shortlived as the problems behind the recent raft of downgrades – such as overcapacity and low inflation – remained.

Hotel group Forte again hung back in a mostly dull leisure sector as talk of another large seller was heard. Earlier this week, one institution disposed of nearly 14m shares giving the stock's highest ever daily turnover of 29m.

Yesterday saw a more moderate 1.4m shares change hands as the stock slipped a penny to 216p.

Reports of weak European trading at Rank Xerox were said to have impacted on Rank Organisation, off 8 at 728p.

Stanley Leisure responded to some determined buying by Schroders, the shares finishing 9 up at 243p.

Nerves ahead of NatWest's interims – due next Tuesday – cut the share price by 6 to 495p. Barclays slipped back 5 to 482p in a sector generally thought to have hit the top of its range.

Building stocks with exposure to Germany continued to benefit from the turmoil in the ERM and hopes of lower interest rates. Redland added 11 to 515p and RMC moved up 8 to 805p. Wolseley put on 8 to 623p in the wake of NatWest Securities highlighting the stock as a long-term quality investment.

Doubts over relaxation of television takeover regulations took their toll on television stocks. The market moved on comments by the heritage secretary and LWT (Hdgs) pfd fell back 8 to 475p; Anglia eased 4 to 334p and Carlton Communications lost 12 to 1973p.

Stocks with exposure to the French market made gains on hopes of an interest rate cut. Among these, Arjo Wiggins climbed 9 to 205p, CarnardMetalbox 50 to 2500p and Kingfisher 17 to 634p.

MARKET REPORTERS:
Christopher Price, Christine Buckley.

■ Other statistics, Page 11

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FINANCIAL TIMES EQUITY INDICES

	July 30	July 29	July 28	July 27	July 26	Year ago	* High	* Low
Ordinary share	2317.6	2307.8	2277.7	2277.3	2254.2	1803.8	2317.6	2124.7
Ord. div yield	3.98	4.00	4.05	4.05	4.09	5.12	4.52	3.98
Earning yld % full	4.74	4.76	4.82	4.82	4.87	7.27	6.38	4.74
P/E ratio net	27.00	26.89	26.54	26.54	26.28	17.38	27.00	19.40
P/E ratio nil	24.94	24.84	24.52	24.52	24.28	16.14	24.94	18.14
Gold Mines	249.2	235.8	229.8	225.5	214.9	90.9	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2317.6 30/7/93 - low 49.4 26/6/40
Gold Mines index since compilation: high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2308.8	2308.6	2314.4	2323.8	2324.1	2327.2	2326.8	2320.9	2321.6	2327.7	2306.2

Volume	July 30	July 29	July 28	July 27	July 26	Year ago
SEAQ Bargains	41,728	33,145	32,331	31,167	25,503	16,601
Equity Turnover(£m)†	-	1707.5	1447.6	1590.0	900.2	812.6
Equity Bargains†	-	38,245	39,273	32,672	29,083	18,449
Shares traded (ml)†	-	639.7	594.8	617.6	373.4	360.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

[illegible]

CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
ADT	570	+	20
Arjo Wiggins	205	+	11
Assoc Br Foods	482	+	18
Brammer	261	+	11
Electrocomponents	432	+	14
GKN	494	+	17
Greenwich Comms	7½	+	2½
Hambro Countrywide	64	+	4
Hepworth	383	+	12
Heritage	69	+	11
Ingham	156	+	9
Mallett	70	+	9
Monarch Res	184	+	10
DS Hldgs	210	+	18
Unitech	275	+	17
Warburg (SG)	769	+	22

Falls			
AAF Inds	92	-	5
Burndene	48½	-	2½
Domino Printing Sc	399	-	15
Lloyds Bank	557	-	25
Radiant Metal	75	-	9
SmKline Beecham A	445	-	16
Standard Platform	44	-	5
VSEL	855	-	25

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday 30 July 1993

Gold Mines Index	+	289.98
Property	+	49.35
Merchant Banks	+	46.47
Engineering-Aerospace	+	42.68
Metals & Metal Forming	+	42.57
Contracting, Construction	+	29.04
Building Materials	+	25.33
Financial Group	+	23.67
Electronics	+	22.97
Banks	+	22.35
FT-SE SmallCap	+	21.29
FT-SE SmallCap ex Inv Tst	+	20.75
Electricals	+	20.19
Insurance Brokers	+	19.98
Capital Goods	+	19.11
Investment Trusts	+	18.37
Engineering-General	+	17.69
Electricity	+	17.56
Motors	+	16.92
FT-SE Mid 250	+	15.49
FT-SE Mid 250 ex Inv Tst	+	15.46
Insurance (Composite)	+	14.84
Oil & Gas	+	13.32
Packaging, Paper & Printing	+	11.24
Transport	+	10.84
Insurance (Life)	+	9.85
Media	+	9.69
Chemicals	+	7.66
Other Industrials	+	7.32
Other Groups	+	6.39
Telephone Networks	+	6.34
FT-A All-Share	+	6.23
Textiles	+	6.03
FT-SE-A 350	+	5.43
Business Services	+	5.05
Conglomerates	+	4.87
Hotels & Leisure	+	4.38
Water	+	3.44
"500" Share Index	+	3.02
FT-SE 100	+	2.81
Stores	+	2.71
Industrial Group	+	1.97
Food Manufacturing	-	2.67
Consumer Group	-	7.24
Brewers & Distillers	-	10.16
Food Retailing	-	12.53
Health & Household	-	22.22

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets had another exciting trading session yesterday as traders reacted to the continuing developments in the ERM currency centres, writes Terry Byland.

A premium of around 20 points on the September contract on the FT-SE Index for most of the day offered ample opportunities for arbitraging. These were readily seized but traders then found that stock in the underlying blue chips had become very hard to find. At best, September touched 2,963.

By the close, the premium on the September contract had boiled down to around 17 points against cash. On Monday, fair value will fall to 4 or 5 and any repetition of yesterday's demand and stock shortage will mean a powerful squeeze on share prices.

Business in Traded Options increased to 40,488 contracts from 36,070 on Thursday, with the Footsie option trading 12,265. British Steel (3,874) headed the list of individual stock options. This was followed by Hillsdown on 2,307 and Land Securities on 2,100.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM		9.000	[illegible]	110.6500	-0.412	[illegible]	[illegible]	[illegible]
CANADA *		7.500	[illegible]	[illegible]	+0.297	[illegible]	[illegible]	[illegible]
DENMARK		[illegible]	[illegible]	105.8750	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE	BTAN	[illegible]	[illegible]	107.9445	+0.506	6.22	[illegible]	[illegible]
	OAT	8.500	[illegible]	112.5600	+0.466	6.65	6.77	[illegible]
GERMANY		6.750	[illegible]	101.3950	-0.255	6.55	6.52	[illegible]
ITALY		11.500	03/22	105.0600	[illegible]	[illegible]	11.16	11.44
JAPAN	No 119	4.800	[illegible]	[illegible]	-0.145	3.50	3.97	4.20
	No 145	5.500	03/02	[illegible]	[illegible]	4.36	4.22	4.39
NETHERLANDS		7.000	[illegible]	104.3400	[illegible]	6.57	6.34	6.42
SPAIN		10.300	06/02	101.9755	+1.377	9.94	10.25	10.12
UK GILTS		7.250	03/98	102-26	+13/32	6.53	6.79	6.84
		9.000	06/03	104-23	+23/32	7.22	7.51	7.64
		9.000	10/08	111-01	+16/32	7.75	7.89	8.00
US TREASURY *		6.250	02/03	103-07	+4/32	5.80	6.19	5.79
		7.125	02/23	107-00	+5/32	6.56	6.67	6.69
ECU (French Govt)		8.000	04/03	104.6000	-0.050	7.32	7.26	7.08

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	69	3	8	272	57	68
Other Fixed Interest	15	0	0	53	18	4
Commercial, Industrial	429	191	796	1,761	990	4,318
Financial & Property	384	41	382	1,421	286	2,312
Oil & Gas	28	16	38	120	67	227
Plantations	2	0	6	4	1	35
Mines	69	4	61	266	89	320
Others	84	13	36	313	146	222
Totals	1,080	268	1,327	4,210	1,654	7,506

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2926.5 +8.9	3306.5 +33.5	1448.76 +6.86

	Jul 30	Day's change	Jul 29	Jul 28	Jul 27	year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2926.5	+0.3	2917.6	2894.2	2878.4	2420.2	3.92	5.81	21.38	54.69	1053.30	2957.3 8/3	2737.6 19/1	2957.3 8/3/93	986.9 23/7/84
FT-SE Mid 250	3306.5	+1.0	3273.0	3244.8	3236.7	2317.6	3.66	5.89	21.05	59.74	1183.26	3306.5 30/7	2876.3 13/1	3306.5 30/7/93	1379.4 21/1/86
FT-SE Mid 250 ex Inv Trusts	3319.2	+1.0	3285.7	3257.1	3250.7	2324.2	3.76	6.30	19.86	61.30	1183.50	3319.2 30/7	2874.6 1/1	3319.2 30/7/93	1378.3 21/1/86
FT-SE-A 350	1484.0	+0.5	1457.2	1441.5	1438.8	1188.5	3.86	5.83	21.31	27.15	1080.21	1464.0 30/7	1348.7 19/1	1464.0 30/7/93	664.5 14/1/86
FT-SE SmallCap	1653.94	+0.6	1643.65	1636.42	1635.57	-	3.45	4.17	33.45	25.35	1238.02	1653.94 30/7	1377.88 4/1	1653.94 30/7/93	1363.79 31/12/92
FT-SE SmallCap ex Inv Trusts	1648.78	+0.5	1639.14	1632.84	1632.54	-	3.66	4.62	31.20	25.76	1233.87	1653.43 29/6	1380.06 4/1	1653.43 29/6/93	1363.79 31/12/92
FT-A ALL-SHARE	1448.76	+0.5	1441.90	1426.88	1424.54	1151.28	3.83	5.73	21.78	26.59	1088.13	1448.76 30/7	1330.19 19/1	1448.76 30/7/93	61.92 13/12/74
1 CAPITAL GOODS(214)	1043.23	+1.2	1030.55	1021.45	1020.15	742.33	3.82	4.06	32.58	21.04	1224.52	1043.23 30/7	869.89 13/1	1043.23 30/7/93	50.71 13/12/74
2 Building Materials(28)	1114.18	+1.7	1095.71	1079.80	1077.68	781.56	4.20	3.50	40.33	21.26	1287.30	1114.18 30/7	882.69 12/1	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction(28)	953.94	+1.3	941.68	933.57	937.83	626.05	3.45	1.38	80.00†	14.25	1317.13	989.92 19/5	716.61 20/1	1951.50 16/7/87	71.48 2/12/74
4 Electricals(15)	3075.71	-1.0	3044.89	3021.49	3037.82	2183.04	4.40	4.79	26.75	66.90	1239.65	3075.71 30/7	2533.89 13/1	3075.71 30/7/93	84.71 25/6/62
5 Electronics(38)	2895.08	+0.9	2870.16	2836.45	2827.38	1894.37	2.99	5.78	21.34	61.50	1266.80	2895.08 30/7	2304.14 18/1	2895.08 30/7/93	1229.01 8/10/85
6 Engineering-Aerospace(7)	423.16	+0.5	421.23	418.21	421.63	305.04	3.49	‡	‡	6.61	1461.12	427.59 10/6	294.58 13/1	502.42 13/6/90	243.47 24/11/92
7 Engineering-General(48)	604.14	+1.4	596.60	592.27	595.95	453.65	3.59	5.92	20.92	11.06	1206.80	604.14 30/7	519.76 12/1	604.14 30/7/93	339.57 23/1/91
8 Metals & Metal Forming(10)	460.45	+2.0	451.20	443.24	443.17	287.81	2.38	‡	‡	6.08	1452.92	460.45 30/7	319.37 5/1	598.67 9/10/87	49.65 6/1/75
9 Motors(20)	440.14	+1.2	434.72	427.99	426.39	315.48	4.95	4.24	33.03	9.88	1205.25	440.14 30/7	380.99 25/1	440.14 30/7/93	19.91 6/1/75
10 Other Industrials(19)	2146.27	+1.1	2123.06	2118.68	2122.02	1630.97	4.21	5.36	22.30	50.05	1106.05	2146.27 30/7	1948.15 19/1	2146.27 30/7/93	277.55 15/1/81
21 CONSUMER GROUP(234)	1633.18	-0.3	1628.34	1614.64	1609.97	1547.33	3.53	6.85	17.74	28.44	947.50	1773.10 4/1	1570.86 21/7	1773.10 4/1/93	61.41 13/12/74
22 Brewers and Distillers(29)	1885.69	+0.3	1880.67	1849.63	1849.53	1984.06	3.91	8.20	14.74	41.82	923.60	2091.43 4/1	1800.90 20/5	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing(22)	1293.99	+1.1	1280.23	1270.10	1269.14	1187.01	3.93	7.55	15.81	27.47	997.93	1471.34 10/3	1241.08 21/7	1471.34 10/3/93	59.67 11/12/74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	153.8	156.2	163.3		0.00
AIB Grofund Equity	5	206.9	210.1	222.3		1.44
AIB Grofund Euro	5	168.7	170.4	178.4		0.13
AIB Grofund Bal Balanced	3	100.3	102.3	105.5		2.28
AIB Grofund Gilt	3	79.80	79.82	82.08		5.01
AIB Grofund Japan	5	160.1	161.8	181.4		0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	436.9	438.4	466.4	+7.9	2.42
General Acc	5	479.3	480.9	511.6	+7.8	2.42
UK Growth Acc	5	317.7	321.7	342.3	+5.0	2.08
UK Growth Inc	5	225.1	228.0	242.6	+3.6	2.08
Higher Inc Acc	5	589.8	595.0	633.0	+10.2	3.59
Higher Inc Inc	5	356.5	361.4	384.5	+6.1	3.59
Gilt/Fxd Int Acc	5½	180.7	180.7	190.8	+1.3	5.96
Gilt/Fxd Int Inc	5½	94.69	94.88	100.0	+0.66	5.96
Nth America	5	251.5	257.2	273.7	+4.6	0.00
Far East	5	314.1	320.1	340.6	+9.9	0.22
Europe	5	229.7	233.4	248.3	+2.6	0.84
Bra Excell	5	64.99	65.82	70.03	+1.99	2.68
Brit Fnendla Acc	5	89.63	90.86	96.67	+1.61	4.53
Brit Fnendla Inc	5	69.54	70.48	74.99	+1.17	4.53
Global Opps	5	74.80	76.37	81.25	+1.39	0.09
Balanced Acc	5	48.89	49.25	52.40	+0.78	2.84
Balanced Inc	5	48.69	49.25	52.40	+0.78	2.84

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley UT Mngrs (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262						
Mngd P'folio Inc	6	95.17	96.17	101.4	+0.58	1.96
Mngd P'folio Acc	6	179.8	179.8	187.5	+0.40	–
UK General	6	159.9	166.9	170.0	+4.70	2.65
European Inc	6	22.17	22.17	23.65	+0.01	0.47
European Acc	6	22.89	22.89	24.65	+0.01	–
Financial	6	134.0	134.0	142.7	+1.20	2.94
Foundation	6	78.93	78.22	84.27	+0.62	3.16
German	6	42.52	42.62	45.60	-0.18	0.09
Growth Inc 1(5-1)	5	28.58	28.58	30.58	+0.29	2.68
Growth Acc 1(5-1)	5	33.70	33.70	35.90	+0.24	–
High Income	6	73.38	73.38xd	78.60	+0.69	6.68
Income	6	129.3	131.7	140.8	+1.20	5.00
Intl Income	6	98.21	98.21xd	102.5	+0.40	4.58
Intl Growth ♣	6	35.47	35.47	37.78	+0.29	0.21
Monthly Income	6	73.43	73.38	80.65	+0.65	3.87
North American	6	106.3	106.3	113.2	+0.90	0.19
Orient ♣	6	140.0	140.0	150.8	+2.91	–
Recovery	6	40.71	41.81	44.98	+0.09	2.40
Smaller Cos Acc	6	293.2	308.3	328.6	+0.30	–
Smaller Cos Inc	6	170.6	178.3	181.9	+0.30	1.13
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 9362						
Income Growth	7	189.4	189.4	194.4	–	3.80
For Buckmaster see Credit Suisse						
Burrage Unit Tst Mangmt Ltd (0900)F						
117 Fenchurch St, London EC3M 5AL 071-480 7218						
Short Dated Gilt	1¼	67.25	67.25	68.16	+0.11	5.70
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061-837 5060						
Environ	5	132.8	135.7xd	144.4	+0.40	1.77
UK Growth	5	148.1	150.1	159.7	+1.80	2.12
UK Income	5	125.6	127.2	135.4	+1.40	4.11

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Investment Managers Ltd (0650)F						
46 Court St, Haddington, E. Lothian 062-082 5867						
MW Joint Investors	0	1198.0	1198.0	1231.3	+38.8	3.6
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242						
Maldon General	0	128.9	128.9	130.9	–	4.44
Manulife Management Ltd (1200)F						
St George's Way, Stevenage Dealings 0438-747414						
Growth Units	5¼	168.8	169.4	181.2	+2.6	2.50
Gilt & Fxd Int	5	179.3	179.3	188.9	+0.8	7.01
Intl Growth	5¼	204.1	204.1	218.2	-3.0	0.18
North American ♥	5¼	164.3	164.3xd	175.6	-1.8	0.31
Far East	5¼	199.9	199.9xd	212.3	+3.6	0.96
UK Smaller Cos	5¼	138.5	138.7	148.3	+0.2	1.97
European	5¼	65.25	65.25xd	69.91	+0.54	0.16
Japanese Growth	5¼	50.28	50.28	53.30	+1.08	0.00
Managed P'folio	5¼	63.89	63.89	68.29	-0.68	1.47
High Income	5¼	176.0	176.2	188.5	+2.7	4.17
Marks & Spencer Unit Trust Ltd (1200)F						
PO Box 410, Chester X, CH99 9QQ 0244 680068						
M & S Inv P'folio	5½	139.5	139.7xd	149.4	+1.29	2.01
Do Accum	5½	156.3	156.8xd	167.4	+1.29	2.01
UK Sel P'folio	5½	115.8	116.6xd	124.8	+1.65	2.50
Do Accum	5½	131.0	131.7xd	140.8	+1.66	2.50
Marlborough Fund Managers Ltd (1630)F						
57 Victoria Square, Bolton, BL1 1LA 0204 364843						
Managed Tst	5	66.73	66.80	71.65	–	3.90

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
N&P Unit Trust Management Ltd (1200)F						
35 Fountain St, Manchester M2 2AF 061-237 6322						
N&P UK Growth	5½	67.27	67.98xd	72.30	+1.11	2.70
N&P UK Income	5½	102.00	103.00	109.60	+1.63	3.74
N&P Gilt & Fixed Int	5½	76.72	77.18	81.68	+0.91	6.76
N&P Higher Income	5½	195.30	196.90xd	212.76	+2.29	4.59
N&P Smaller Co's	5½	72.03	74.615	79.27	+0.95	1.70
N&P International	5½	89.43	90.86	96.44	+1.89	1.86
National Provident Inv Mgrs Ltd (1400)H						
48 Gracechurch St, EC3P 3HH 071-623 4200						
NPI American Acc ♥	5½	109.6	109.6	116.2	+1.41	0.00
NPI American Dist ♥	5½	100.4	100.8xd	107.8	+1.38	0.00
NPI European Acc	5½	90.60	90.86	96.96	+0.85	0.60
NPI European Dist	5½	87.40	87.65	93.67	+0.69	0.60
NPI Far East Acc ♥	5½	158.2	158.8	167.2	+3.16	0.00
NPI Far East Dist ♥	5½	152.6	153.7	164.4	+3.00	0.00
NPI Global Care Acc	5½	65.45	65.90	70.35	+0.43	1.22
NPI Global Care Dist	5½	63.27	63.50xd	67.91	+0.42	1.22
NPI O'seas Acc	5½	1179.4	1181.9	1264.1	+15.80	0.60
NPI O'seas Dist	5½	909.5	911.5	975.0	+12.20	0.60
NPI UK Acc	5½	597.2	599.1	640.6	+5.80	2.46
NPI UK Dist	5½	313.5	314.3	336.1	+4.70	2.46
NPI UK Extra Inc Acc	5½	74.42	74.65	80.05	+0.88	4.16
NPI UK Extra Inc Dist	5½	70.55	71.35	76.24	+0.84	4.16
NPI UK Spec Opp Acc	5½	51.70	82.45	88.16	+1.69	2.33
NPI W'wide Acc	5½	95.20	95.94	102.60	+2.42	0.00
NPI W'wide Dist	5½	91.30	91.92	98.71	+2.34	0.00
NPI W'wide Inc Acc	5½	63.39	63.79	68.19	+0.81	2.34
NPI W'wide Inc Dist	5½	61.35	61.66	65.97	+0.78	2.34

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Standard Life Tst Mgmt Ltd (0730)H

3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5¼	44.90	44.90	47.71	+0.5	1.99
UK Equity Gth Acc	5¼	60.38	61.32	65.37	+0.9	1.38
UK Eq High Inc Inc	5¼	36.62	36.52	38.81	+0.7	3.78
UK Eq High Inc Acc	5¼	43.37	43.37	46.09	+0.8	3.78
UK Equity Gen Acc	5¼	54.81	55.63	59.32	+0.8	2.20
UK Equity Gen Inc	5¼	41.51	42.27	44.92	+0.5	2.20
UK Larger Cos Acc F	7½	375.3	380.2	412.8	+4.2	3.78
UK Larger Cos Inc F	7½	289.2	292.0	316.9	+3.2	3.79
Gilt & Fixed Int Inc	4½	37.35	37.43	39.45	+0.1	4.20
Pens Larg Cos Acc F	7½	284.1	288.1	313.7	+3.4	1.41
Nth American Acc	5¼	43.18	43.42	46.14	+0.4	0.98
Far East Acc	5¼	57.94	57.94	61.57	+0.8	0.15
European Acc	5¼	42.06	42.05	44.68	+0.1	0.98

State Street Unit Trust Mgmt Ltd (1400)F

26 King Street, London SW1 6QW 071-644 7000

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global A	5¼	[illegible]	3.611	3.838	—	1.24
US Equities (a)	5¼	$2.142	2.142	2.278	—	1.17
Far East Equities (a)	5¼	Y239.8	240.3	255.7	—	-
Japan Equities (a)	6¼	Y240.8	243.8	258.7	—	-
FT Europe (a)	5¼	113.2	113.3	120.3	—	2.17
FT North American (a)	5¼	$1.713	1.713	1.818	—	1.32
FT Japan (a)	6¼	Y242.2	242.7	257.8	—	-
FT Asia Ex Japan (a)	5¼	$1.878	1.880	2.011	—	1.52

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	340.8	340.8	360.8	+4.6	0.32
(Accum Units) ♥	5	408.9	408.9	436.0	+4.4	0.32
British	5	958.4	958.4	1011.9	+8.2	4.02
(Accum Units)	5	1676.6	1676.6	1773.9	+14.4	4.02
Emerging Markets	5	109.7	110.3	117.5	-1.4	0.20
(Accum Units)	5	109.9	110.5	117.7	-1.4	0.20
European	5	392.7	392.7	421.2	-0.8	1.37
(Accum Units)	5	434.9	434.9	482.5	-0.8	1.37
Japan	5	158.8	158.8	168.4	+4.2	-
(Accum Units)	5	158.1	158.1	167.7	+4.2	-
New Pacific	5	306.5	306.0xd	326.0	+5.3	0.98
(Accum Units)	5	322.7	322.5xd	343.4	+5.5	0.89
Investment Tst	5	194.2	198.2	208.0	-2.4	1.71
(Accum Units)	5	218.7	219.8	232.1	+2.7	1.71

INVESCO Asset Management Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Asia & Australasia	£1.2980	1.3050	—	2.48
Japan	£2.3270	2.3300	—	0.00
Intl Mngd P'Folio(1800-1)	£1.6780	1.6790	—	1.08
Mixed Pens (Acc)	£0.8784	0.8880	—	3.84
North American	£2.5880	2.5910	—	2.56
Smaller Companies	£1.4450	1.5220	—	3.85
UK Core	£1.0480	1.0630	—	4.52

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jul 12	£2028.0	2225.0	—	7.98
Inc Gth Prp Jul 12	£1440.0	1600.0	—	8.90

Lazard Investors Ltd $

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Jul 30	£5142.8	6354.3	+17.00	2.47
European Jul 30	£718.3	726.7	+3.40	1.92
American Jul 30	£438.9	443.1	+3.00	1.45
Japan Jul 30	£618.2	628.7	+23.30	0.48
Pacific Jul 30	£198.4	200.0	+2.10	0.87
Midland Gth Jun 30	£128.39	140.10	—	3.7

Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jun 30	178.50	192.15	—	8.74
Equity Jun 30	[illegible]	[illegible]	—	3.30

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charifund (z)		114.9	—	8.38
(Accum Units)		769.38	-0.1	8.38
NAACIF (z)		47.09	—	7.57

Merlin Jupiter Unit Trust Managers Ltd

Merlin Jupiter Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	£11.81	12.13	—	-

Morgan Grenfell Investment Funds Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Jul 30	168.6	173.8	+4.40	2.83

INSURANCES

OTHER UK UNIT TRUSTS

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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Provident Mutual Life Assc. Assn. - Contd.

Prudential Assurance Co

Prudential Corporate Pension Funds

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Sun Alliance Group - Contd.

Albany International Assurance Ltd

CMI Insurance Co Ltd

Scottish Provident Intl Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

ECU Terminvest PLC

United Financial Corporation Ltd
Saxon House, Heritage Gate, Derby 0332 383399

	Bid Price	Offer Price	+ or -	Yield Gross
UFC Secure (RH)	124.5	131.1	—	-
UFC Growth (RH)	108.6	114.8	—	-
UFC Executive (RH)	244.2	257.1	—	-

J. D. Ward Financial Services Ltd
6 Kingsway, London, WC2 6XF. 071-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
J D. Ward Mngd Pens	155.0	163.2	+0.5	-
Albany Life Acc	228.8	240.8	+2.0	-
Albany Worldwide Pens	304.0	318.9	+2.8	-
M&G Tripos Pen Acc	232.9	244.7	+2.9	-
PEFC Wld Growth (Pen Acc)	212.8	223.7	+0.2	-
Scottish Equitable Pensions	131.7	138.6	+0.1	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey: 0534 71696
Private Clients 0800 414161
From O'seas (44) 732 777377 Hong Kong (852) 848 1000

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
A$ Accum		A$–	16.276		+0.002	3.80
A$ Dist		A$–	15.294		+0.001	3.80
ASch Accum		Sch–	223.55		+0.03	5.80
ASch Dist		Sch–	206.34		+0.03	5.80
C$ Accum		C$–	16.318		+0.002	3.50
C$ Dist		C$–	15.308		+0.001	3.50
DM Accum		DM–	34.176		+0.008	6.20
DM Dist		DM–	31.023		+0.008	6.20
DFl Accum		Dfl–	28.441		+0.004	5.90
DFl Dist		Dfl–	25.818		+0.004	5.90
ECU Accum		Ecu–	11.823		+0.002	7.20
ECU Dist		Ecu–	10.397		+0.002	7.20
FFr Accum		FFr–	58.075		+0.011	7.30
FFr Dist		FFr–	52.174		+0.009	7.30
HK$ Accum		HK$–	105.44		+0.01	3.00
HK$ Dist		HK$–	101.52		+0.01	3.00
Ir£ Accum		I£–	10.628		+0.002	6.90
Ir£ Dist		I£–	10.475		+0.001	5.60
Lire Accum		L–	18283		+4	9.80
Lira Dist		L–	16761		+4	9.80
NZ$ Accum		NZ$–	32.605		+0.003	4.50
NZ$ Dist		NZ$–	30.763		+0.004	4.50
SPta Accum		Pta–	2154.7		+0.08	11.9
SPta Dist		Pta–	1915.2		+0.07	11.8
£ Accum		£–	11.311		+0.001	4.80
£ Dist		£–	10.244		+0.001	4.80
SFr Accum		SFr–	27.527		+0.003	3.70
SFr Dist		SFr–	25.495		+0.002	3.70
US$ Accum		$–	20.883		+0.002	2.00
US$ Dist		$–	20.201		+0.001	2.00
Yen Accum		Y–	2637.1		+0.2	2.00
Yen Dist		Y–	2526.2		+0.1	2.00

Prices for dealing July 30

Lloyd George Management
41 Cedar Ave, Hamilton, Bermuda HK 852 8454433
World Success Jul 26 | $– | 8.6813 | — | -

Newport Investment Management
73 Front street, Hamilton, Bermuda
UK: 0494 75880 Guernsey: 0800 741982
Newport SelectPlus Fund Ltd
Income Plus Class 3 | $– | 1.8081 | — | -
Income Plus Class | £– | 1.2070 | — | -
Newport International Management 0481 726288
Not. Pacific 5 | $– | 3.6477 | — | -
Not Pacific | £– | 2.4487 | — | -

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 295 4000
Orion Jun 30 | $– | 17.21 | — | -

CANADA (SIB RECOGNISED)

GBC Asset Management
UK Agent: Ivory & Sime Plc.
One Charlotte Square, Edinburgh EH2 4DZ
GBC Nth America Gth Inc* | C$– | 6.25 | — | -
Approx Stlg Equiv | £– | 2.78 | — | -
*Dealing Thursdays–Forward

GUERNSEY (SIB RECOGNISED)

Guinness Flight Fd Mngrs - Contd.

Hambros Fd Mgrs (CI) Ltd
PO Box 255, Guernsey 0481 715454

Daily Dealings

Royal Bank of Canada Offshore Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 0481 723021

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Global	0	£–	9.129		—	-
Intl Capital Fd	5	$–	5.769	6.176	+0.001	-
Far East & Pacific Fd.	5	$–	47.967	51.284	—	-
North America Fd	5	$–	20.989	22.372	—	-
Canadian Fd	5	C$–	16.913	18.114	—	-
Intl Bond Fd	5	$–	14.008	14.747	—	-
European Fund	5	$–	11.271	12.071	—	-
British Fund	5	£–	5.237	5.598	+0.002	-
Intl Currencies Fd Ltd						
US$		$–	38.85		—	1.97
Canadian $		C$–	57.73		+0.03	2.91
£ Sterling		£–	27.48		+0.01	4.78
D-Mark		DM–	84.99		+0.04	6.35
Swiss Francs		SFr–	61.36		+0.01	3.52
Japanese Yen		Y–	8378		+2	2.03
Managed Fund		$–	43.30		+0.01	-

Latest Fund Prices 24hr service 0481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 0481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 0481 710861

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
Emerging Mkts Liquid Inv Ptfls. | $11.63 | 11.77 | — | -

Arab Bank Fund Managers (Guernsey) Ltd
ABL International Fund Ltd
Managed Currency | $11.13 | 11.13 | — | -
International Bond | $11.55 | 11.58 | — | -

Bachmann Global Investment Fund Ltd
International Bond | $148.74 | 152.17 | — | -
Cash, Gilt & Stlg Fxd Int. | £18.31 | 18.66 | — | -

CIBC Fund Managers (Guernsey) Ltd
PCF Sterling Bond | £10.18 | 10.39 | — | -
PCF US Dollar Bond | $14.85 | 15.17 | — | -
PCF Canadian Dollar Bond | C$20.29 | 20.67 | — | -
PCF Euro Bond | SFr19.80 | 20.18 | — | -
PCF Euro Equity | SFr20.06 | 20.64 | — | -

Dantrust Management (Guernsey) Ltd
Dantrust Limited | DKr180.3 | 180.4 | — | -

Guernsey Capital Management Limited
GCM Global Sel Eq | $100.00 | 100.01 | — | -

Hambros Fund Managers (CI) Ltd
Japanese OTC | $8.7064 | 9.7083 | — | -

Hauteville Fund Managers (Guernsey) Ltd
Hauteville G & B Fd | SFr9.64 | 9.81 | — | 0.02

Havelet Throgmorton Mngmt Ltd

IRELAND (SIB RECOGNISED)

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

Coutts & Co Fund Managers Limited

Prolific International Fund Plc
Irish Life Centre, Lower Abbey St, Dublin 1 010 3531 8747587

	Init Charge	Bid Price	+ or -	Yield Gr's
American	-	183.4	—	1.50
Asia Pacific	-	176.7	—	1.00
China Opportunities	-	170.7	—	1.00
European Growth	-	210.2	—	1.00
Global Growth	-	132.8	—	1.34
Japan Growth	-	162.4	—	1.00
UK Conv & Bond	-	109.6	—	6.75
UK Equity Income	-	126.1	—	4.18
World Bond	-	131.1	—	7.80

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR

Swiss Life Investment Fund (u)
1 Harbourmaster Place, Dublin 1

		Bid Price	+ or -	Yield
UK Equity	£–	0.6833	—	-
European Equity	£–	0.9654	—	-
American	$–	1.4606	—	-
International Bond	$–	1.1067	—	-
Reserve	£–	0.5148	—	-
Pacific	Y–	93.7985	—	-
Austrian Share	Sch–	57.8723	—	-
Austrian Bond	Sch–	11.8667	—	-
Deutschemark Reserve	DM–	6.7193	—	-

IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd
BTIM US Dollar Jun 30 | $1013.58 | — | -

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Chemical Fund Administrators Ltd
Technology 2000 | $10.11 | +0.06 | -

Dresdner Intl Management Services Ltd

J. Rothschild International Assce plc

Sanwa International (Ireland) Plc

Ulster Bank Investment Services

Yellow Sea Investment Company PLC

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1000)F

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 0534 36633

Barclays International Funds
PO Box 152, St Helier, Jersey/CI 0534 67888

Capital House Fund Mgrs (CI) Ltd
PO Box 189, St Helier, Jersey 0534 74689

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Managers International Ltd
PO Box 278, 45 La Motte St., Jersey 0534 27636

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co Ltd

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 284242						
Lloyds Tst. Gilt	3½	[illegible]	10.480	10.859	[illegible]	7.37
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	5	[illegible]	1.2612	1.3373	[illegible]	0.09
Gilt	3	[illegible]	1.01726	1.0486	[illegible]	7.83
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70009						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	214.2	214.2	224.9	+1.5	3.46
Growth (C & D)	5	322.6	322.6	[illegible]	+2.3	-
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	56.22	56.24	58.54	(u)	7.52
Standard Bank Fund Mngmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	3	$-	18.04	18.98	+0.06	4.54
Sterling Bond	3	£-	10.02	10.37	+0.06	6.38
Sterling Cap		£-	42.75	42.75	+0.01	6.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.65	101.65	104.76	+0.02	5.09
Gilt & Fixed Interest	3	120.40	120.40	124.78	+0.75	7.42
Blue Chip & Gilt Edged	5	81.56	81.56	84.62	+0.40	3.52
International Bond	3	139.35	139.35	146.62	+1.66	4.84
UK Equity	5	257.21	265.97	279.69	+1.33	1.24
International Equity	5	189.75	189.51	199.49	+2.11	0.35
Far Eastern	5	177.29	180.59	190.09	+2.37	0.00
European	5	132.32	133.18	140.19	+0.48	0.00
Pan American	5	380.77	387.95	408.37	+3.12	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	106.42	106.42	111.98	+0.72	7.50
Monthly Share	3	107.66	107.66	111.18	+0.72	7.56

JERSEY (REGULATED)(**)

Barclays Intl Funds

Asian Selection Funds

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS
(2.45 pm)

INDICES

NEW YORK

DOW JONES	July 29	July 28	July 27	July 26	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3567.42	3553.45	3565.46	3567.70	3567.70 (26/7)	3241.95 (20/1)	3567.70 (26/7/93)	41.22 (2/7/32)
Home Bonds	108.26	107.82	107.78	107.49	108.26 (29/7)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1594.15	1588.81	1581.12	1594.80	1683.06 (18/4)	1453.84 (4/1)	1683.06 (16/4/93)	12.32 (8/7/32)
Utilities	250.88	248.81	248.35	248.88	250.88 (29/7)	217.14 (8/1)	250.86 (29/7/93)	10.50 (8/4/32)

DJ Indl. Day's High 3593.41 (3580.38) Low 3531.37 (3524.38) (Theoretical♦)
Day's High 3579.43 (3586.02) Low 3551.77 (3545.34) (Actual♦)

STANDARD AND POOR'S

	July 29	July 28	July 27	July 26	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	450.24	447.19	448.24	449.09	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials¶	508.51	506.87	508.28	509.36	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/33)
Financial	46.33	45.67	45.83	45.79	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.34	247.86	248.34	249.66	251.36 (10/3)	236.21 (8/1)	251.38 (10/3/93)	4.46 (28/4/42)
Amex Mkt. Value	436.59	434.76	434.77	433.76	440.95 (4/6)	386.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	707.24	705.59	701.00	704.64	712.49 (14/7)	645.87 (26/4)	712.49 (14/7/93)	54.87 (31/10/72)

	Jul 23	Jul 16	Jul 9	year ago (approx.)
Dow Industrial Div. Yield	2.93	2.95	2.93	3.17
	Jul 21	Jul 14	July 7	year ago (approx.)
S & P Industrial div. yield	2.55	2.52	2.56	2.68
S & P Indl. P/E ratio	25.09	25.37	24.99	28.50

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Merck	8,935,300	30⅝	- ⅛
Foand Hlth	4,095,500	20⅝	- 11⅞
ADT	3,893,200	8¼	+ ⅛
Chrysler	3,609,800	43⅝	+ 1
Global Marine	3,380,800	4¼	+ ½
Bristol Myers	2,783,500	55¼	- ⅞
IBM	2,533,400	43⅞	- ⅛
Glaxo	2,506,200	16¼	- ¼
Jhnsn & Jhnsn	2,442,700	36⅞	- ¾
Fed Dept Strs	2,359,400	22	+ ¼

TRADING ACTIVITY

† Volume (Millions)	July 29	July 28	July 27
New York SE	260.796	269.791	252.525
Amex	17.969	15.096	14.888
NASDAQ	275.195	265.344	271.489
NYSE			
Issues Traded	2,950	2,574	2,564
Rises	1,238	917	839
Falls	730	986	1,050
Unchanged	622	671	675
New Highs	118	80	76
New Lows	36	50	39

CANADA

TORONTO	July 29	July 28	July 27	July 26	1993 HIGH	1993 LOW
Metals & Minerals	2918.27	2920.94	2924.74	2883.27	3030.48 (2/7)	2743.31 (21/1)
Composite	3957.55	3923.10	3911.60	3869.50	3987.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1886.39	1870.54	1861.81	1840.59	1939.10 (25/6)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

	July 30	July 29	July 28	July 27	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1844.0	1828.5	1818.4	1814.9	1844.00 (30/7)	1495.00 (13/1)
All Mining (1/1/80)	882.9	859.6	846.0	841.3	882.90 (30/7)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	387.55	388.49	387.39	391.33	391.33 (27/7)	300.26 (14/1)
Traded Index (2/1/91)	948.59	969.81	968.47	976.12	976.12 (27/7)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1328.36	1300.01	1301.67	1301.49	1331.53 (15/7)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	318.56	313.74	308.98	309.51	318.56 (30/7)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1289.7	1277.5	1278.0	1251.0	1289.70 (30/7)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	559.72	544.91	548.75	548.42	559.72 (30/7)	471.24 (13/1)
CAC 40 (31/12/87)	2085.86	2036.00	1998.53	1998.11	2085.86 (30/7)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	701.23	709.00	712.83	715.20	718.22 (26/7)	586.92 (14/1)
Commerzbank (1/12/53)	1997.4	2015.6	2025.6	2033.6	2035.80 (26/7)	1694.30 (14/1)
DAX (30/12/87)	1803.23	1833.70	1833.91	1845.23	1854.52 (26/7)	1518.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6988.96	6889.93	6903.21	6865.96	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1647.64	1636.85	1635.56	1628.85	1647.64 (30/7)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	563.43	561.24	558.16	556.68	563.43 (30/7)	446.33 (6/1)
MIB General (4/1/93)	1242.0	1237.0	1230.0	1227.0	1242.00 (30/7)	892.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20380.14	20456.85	19829.58	19881.39	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1659.91	1660.05	1622.28	1625.45	1676.13 (3/6)	1250.06 (25/1)
2nd Section (4/1/68)	2229.81	2217.28	2203.48	2204.30	2384.97 (7/6)	1851.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	786.08	764.70	763.97	755.57	786.08 (30/7)	614.28 (13/1)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	(u)	359.9	357.8	356.1	359.90 (29/7)	295.70 (4/1)
CBS All Shr (End 1983)	(u)	238.2	234.8	233.7	238.20 (29/7)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	868.42	856.30	860.13	859.28	868.42 (30/7)	589.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1751.21	1738.53	1740.97	1738.38	1751.21 (30/7)	1270.66 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	454.18	454.17	452.52	453.86	488.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2098.0¶	1988.0	1970.0	1917.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4598.0¶	4568.0	4526.0	4512.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	730.50	743.21	749.03	750.48	777.25 (9/6)	605.93 (8/3)
SPAIN						
Madrid SE (30/12/85)	269.96	268.18	263.87	262.35	269.96 (30/7)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1203.0	1194.1	1185.6	1173.2	1203.00 (30/7)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1032.7	1032.1	1035.0	1034.8	1046.60 (13/7)	904.80 (11/1)
SBC General (1/4/87)	824.4	824.5	825.2	821.6	827.80 (13/7)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3934.20	4022.62	4019.63	4070.44	5013.28 (7/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	928.20	924.62	908.36	893.14	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	579.2*	577.4	571.7	571.4	579.20 (30/7)	488.60 (13/1)
Euro Top-100 (26/6/90)	1086.17	1058.94	1050.36	1047.52	1086.17 (30/7)	862.73 (13/1)

**Saturday July 24: Taiwan Weighted Price: 4030.42, Korea Comp Ex: 741.83.
¶ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 28 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

CANADA
(3 pm)

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

JAPAN

WORLD STOCK MARKETS

AMERICA

Dow takes lead from weaker bond prices

Wall Street

US stock markets fell across the board yesterday morning on profit-taking and a sell-off in the bond market, *writes Patrick Harverson in New York.*

At 1 pm. the Dow Jones Industrial Average was down 26.83 at 3,540.59. The more broadly based Standard & Poor's 500 was down 2.40 at 477.84, while the Amex composite was 0.45 lower at 436.14, and the Nasdaq composite down 4.60 at 702.64. Trading volume on the NYSE was 145m shares by 1 pm.

The markets ended a difficult week on a downbeat note. On Thursday stocks had posted gains in spite of disappointing news on second quarter economic growth, primarily because the weak gross domestic product report led to a sharp drop in bond yields, which is always good news for equity investors.

Yesterday, however, the markets were unable to sustain their upward momentum. Prices opened marginally weaker, but it was not until bond prices turned notably lower at mid-morning that the selling in the stock markets gathered pace. The reversal in bond prices, which pushed the yield on the benchmark 30-year bond back up to 6.6 per cent, was partly profit-taking, plus a negative reaction to an unexpected surge overnight in gold prices.

Among individual stocks, Minnesota Mining & Manufacturing tumbled $2⅝ to $105⅞ after the big industrial group announced a modest increase in second quarter earnings to $331m. The stock declined in spite of a warning from the company earlier this year about their profits outlook.

The big insurance group Aetna also fell on earnings news, the stock slipping $2 to $58. Other insurers were lower, with American International Group down $1 at $90⅞, and Travelers $¼ weaker at $31½.

Walt Disney remained troubled by its recently disappointing profits report, falling another $1½ to $37¼ in volume of 1.5m shares.

Profit-taking took its toll on a variety of leading Dow stocks, including Allied Signal, down $1⅜ at $69¾, Eastman Kodak, down $½ at $53⅝, JP Morgan, $½ lower at $72½, and Caterpillar, down $¼ at $76⅞.

Improved earnings continued to help car stocks, with General Motors climbing $⅞ to $48¼.

On the Nasdaq market, the big story was Microsoft, which tumbled $5¼ to $73½ in volume of 7m shares as investors reacted negatively to Thursday's late warning from the company about future revenue growth and about software prices, which will remain low because of competitive pressures. Several leading Wall Street brokerage houses cut their earnings forecasts following the warning.

Canada

TORONTO was supported at midsession by firmness in gold issues as the price of bullion soared on the world markets.

The TSE 300 composite index gained 4.03 to 3,961.58.

EUROPE

Paris at 3-year high in fevered activity

THERE was a general consensus that intense shuttle diplomacy, between Paris and Frankfurt, would take place over the weekend with an announcement on the future of the ERM coming either on Sunday or Monday, *writes Our Markets Staff.*

Mr Sushil Wadhwani, European equity strategist at Goldman Sachs, said a statement had to be made quickly as to how the monetary authorities intended, if indeed that was their policy, to defend the current parities. Noting that the outlook for French equities remained uncertain, he said that he favoured Spain since the Bundesbank was more likely to continue defending the franc than the peseta.

PARIS closed at its highest level since June 1990 as the opinion took hold that the ERM was on the verge of break-up. The CAC-40 index closed up 49.88 or 2.45 per cent at 2,085.88 with turnover at an all-time high of FFr11.5bn, compared with Thursday's FFr4.8bn. The CAC-40 has risen 4.5 per cent over the week.

With unemployment data yesterday showing, as expected, another rise, devaluation of the franc followed by cuts in interest rates, will provide the economic impetus that is sorely needed, market commentators said.

With nearly all stocks showing strong advances, Peugeot featured a 5.5 per cent gain to FFr683.

MADRID closed off its highs after profit-takers moved in on sharp gains seen early in the day. The general index finished up 1.78 at 269.96 after a day's high of 274.03, and 3.5 per cent higher over the week. Trading volume surged to the second highest level of the year at Pta75bn, compared with an average of Pta10bn-PTa15bn over the last three weeks.

Mr Hugh Bailey, of Schroders in London, said profit-taking emerged in the last two hours of trading as currency speculators appeared to ease their heavy pressure on the French franc, which in turn took some of the pressure off the peseta.

Gains were focused on the banking sector where Banesto rose Pta125 to Pta2,170, in spite of announcing an 82 per cent fall in first half profits.

LISBON moved steadily ahead on renewed strong demand for blue chips and the BTA index added 27.7 to 2,257.6, up 4.2 per cent over the week.

FRANKFURT managed to regain the 1,800 level by the close, having slipped to an intraday low of 1,799. The DAX index finally closed down 30.47 at 1,803.23, a week's fall of 1.5 per cent. Turnover was DM8bn.

Among the biggest fallers were export-sensitive stocks, while banks also eased. Deutsche Bank, which has attracted positive recommendations this week on its interim results, lost DM3 to DM737.

Volkswagen lost DM7.80 to DM348.20; after the close Mr Ferdinand Piech, the chairman, said that he had offered to meet the head of General Motors.

BRUSSELS rose almost 2 per cent on hopes for a realignment, with dollar-sensitive and industrial stocks making the largest gains. The Bel-20 index rose 26.35 to 1,326, up 1.5 per cent on the week.

ZURICH was steady, an interested observer of the turmoil elsewhere, and the SMI index rose 0.3 to 2,400.9 for a 2.1 per cent rise on the week.

"We are staying on the sidelines at present, but if Germany cuts its rates, then Switzerland would follow suit," said Mr Mirko Sangiorgio, of Bank Julius Baer in Zurich. "The Swiss franc is strong so we have plenty of room to react."

Nestlé added SFr4 to SFr1,049 in heavy trading in response to its purchase of Italgel, the frozen foods company, from Sme of Italy.

VIENNA slid in tandem with Frankfurt, and ATX index ended down 21.22 at 948.69, up 1.3 per cent on the week after gains earlier in the week.

AMSTERDAM saw some wild price fluctuations during a session which was dominated by short-covering in the morning session. The CBS Tendency index rose 0.7 to 123.0, a gain of 3.4 per cent over the week.

COPENHAGEN retreated a little on late profit-taking but turnover was high at DKr1bn as the KFX index added 0.57 to 91.87. STOCKHOLM's Affärsvärlden index gained 8.90 to 1,203.00 with Ericsson B shares up SKr8 at SKr373, while OSLO's all share index was up 1.5 per cent at a new year's high, closing at 531.42. In HELSINKI the HEX index rose 12.3 to 1,287.4.

MILAN made progress in the wake of a firmer lira and a rally in government bonds as the ERM turmoil improved the prospects of lower interest rates. The Comit index advanced 2.19 to 563.3, a rise on the week of 2.4 per cent.

Mr Nicholas Potter, of Credito Italiano International in London, commented that while Italy would not take the lead in a round of interest rate cuts throughout Europe, it would certainly follow and that would be good for the corporate sector.

Sme shed L399 or 6.5 per cent per cent to L5,751 with the sale of Italgel realising less than the forecast price.

ISTANBUL rose 1.2 per cent, the composite index ending up 120.97 at 10,077.60, a week's gain of 3.2 per cent. After the close the central bank governor announced his resignation, due to long-standing policy differences with Ms Tansu Çiller, the prime minister.

FT-SE Actuaries Share Indices

July 30								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1254.01	1255.11	1252.51	1250.18	1251.85	1251.02	1254.08	1253.91
FT-SE Eurotrack 200	1324.34	1329.44	1326.71	1342.91	1338.49	1341.04	1343.06	1343.59

	Jul 29	Jul 28	Jul 27	Jul 26	Jul 23
FT-SE Eurotrack 100	1242.42	1238.35	1238.95	1240.21	1224.42
FT-SE Eurotrack 200	1308.99	1297.56	1297.42	1294.91	1279.96

Base value 1000 (26/10/90) High/day: 100 - 1256.40; 200 - 1344.66 Low/day: 100 - 1249.72 200 - 1323.64

Shipping shares crest the wave of expectations

Christopher Brown-Humes on a return to favour

Shipping shares are so often out of fashion with investors that their advance seems all the more spectacular when they return to favour. Rarely can the trend have been as apparent as in the last few months, when the share prices of many European shipping groups have soared from the deeply depressed levels of last year.

The change owes more to the strengthening dollar and expectations of a strong recovery in freight rates and ship values than to clear evidence that such a revival is already underway. Freight rates have recovered modestly this year, more in the dry bulk sector than in the tanker sector, but are still well below the peaks of 1990 and 1991. At the same time high operating costs and financing charges continue to squeeze corporate earnings. Many shipping companies are expected to publish disappointing results again this year.

Mr Lau Svensen, analyst at Copenhagen-based Fibroco, comments: "The recovery is underway but profits this year will not be much better than last. It is expectations which are driving share prices higher."

This view is shared by Mr Mark McVicar, analyst with London-based NatWest Securities, who says investors are looking beyond 1993 results to 1994 and beyond.

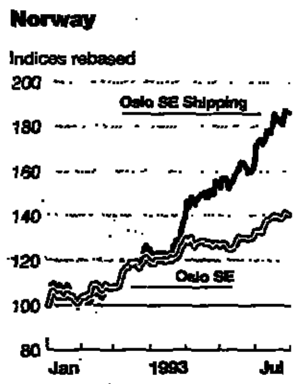
The Nordic region, which boasts Europe's highest concentration of quoted shipping groups, shows the effect of the recent recovery clearly. The Oslo Shipping Index this week reached 587, up 80 per cent since the start of the year, and more than double last summer's 250 level. The Stockholm shipping index is now 55 per cent up on the start of the year. At these levels shipping shares no longer trade at a substantial discount to net asset value; some are even trading at a premium.

The shipping rally has been fuelled by generally improved stock market conditions thanks to falling interest rates. There has also been a preference for some of the quality stocks – companies with blue chip status and relatively modern fleets.

In Denmark, for example, shares in AP Möller's DS 1912

Norway

Indices rebased



Source: FT Graphite

have risen more than 40 per cent in 1993 from DKr79,000 to DKr111,500, compared to an 18.5 per cent rise for the Danish market as a whole. Bergesen, the leading Norwegian bulk shipping group, has seen its shares climb from NKr91.50 to NKr152.50.

However, not all sectors of the market have been able to match the rally put in by the bulk shipping groups. Companies exposed to the product tanker or refrigerated cargo markets have not fared nearly as well, because freight rates in these segments are depressed.

The picture for the major liner shipping companies, such as Dutch group Nedlloyd and Germany's Hapag-Lloyd, is also much less bright because of continuing overcapacity on many major routes and worries about the state of the German and Japanese economies. Hapag-Lloyd, for example, warned last month that it expected its core liner shipping operations to make a substantial loss this year, with cargo volumes forecast 8 per cent.

Many analysts believe shipping stocks have further to rise. Many company share prices are still well below the levels of two years ago, and the Oslo shipping index has still much ground to make up before it gets back to its 1000 peak in early 1990.

Tanker market fundamentals look better than they have done for some time with low oil prices, high Opec production and a rising level of US oil imports. On the supply side too, a slowdown in new building contracting and an anticipated increase in the scrapping of elderly tanker tonnage suggest freight rates should rise substantially in the mid-1990s, provided the world economy does not slow down. With increased environmental and quality concerns, it may be the operators of modern tanker tonnage who benefit most.

But there is reason for caution too; there have been too many false dawns in the shipping markets in the last few years, with those expecting major scrapping activity frequently frustrated by owners' vessel life extension programmes. Evidence that rates are rising strongly is bound to make owners reluctant to commit ships to the scrapyard.

While most commentators do not expect a major downward correction, they believe further gains will require evidence of rising freight rates and ship values soon. "A further appreciation in shipping shares must either be based on an actual rise in ship values or a presumption in the stock market that this will happen in the not-too-distant future," says Harald Moraeus Hanssen, managing director of Oslo-based Fearnley Fonds. If such evidence is not forthcoming by the end of the year, the market could slip into reverse.

ASIA PACIFIC

Nikkei eases but Australia surges ahead

Tokyo

EARLY gains which followed arbitrage buying were eroded when investment trusts and financial institutions took profits and share prices closed lower after trading within a narrow range, *writes Emiko Terazono in Tokyo.*

The Nikkei average fell 76.71 to 20,380.14, after a high of 20,545.75 and a low of 20,361.34, for a week's rise of 4 per cent. Foreign and individual investors were seen buying.

Volume totaled 350m shares against 365m. Declines led advances by 526 to 460, with 185 issues remaining unchanged. The Topix index of all first section stocks closed down 0.14 at 1,659.91. In London, the ISE/Nikkei index fell 0.94 to 1,257.07.

Share prices failed to react to the election of Mr Yohei Kono, chief cabinet secretary, as the leader of the Liberal Democratic Party, which is likely to be the new opposition party. Speculation that the new coalition government, which will be formed next week, will implement income tax cuts in an effort to gain support buoyed some housing and consumption related stocks.

Continued worries over construction companies' involvement in the spate of bribery scandals depressed the sector. Mr Rokuro Ishikawa, chairman of Kajima, resigned as chairman of the Japan Chamber of Commerce and Industry, although he denied any links between the scandals and Kajima. Kajima fell Y25 to Y790, Hazama lost Y9 to Y465 and Shimizu retreated Y26 to Y830.

Nikkatsu, the most active issue of the day, jumped Y10 to Y28 on reports that Namco, a video game maker, was considering extending financial aid to the bankrupt movie maker. Namco fell Y70 to Y3,660.

In Osaka, the OSE average closed up 77.79 at 22,464.15 in volume of 12m shares.

Roundup

THE Pacific Rim saw further records set.

AUSTRALIA soared to post-1987 crash highs after the Reserve Bank eased monetary policy and gold bullion rose beyond US$400 an ounce.

The All Ordinaries index closed 15.5 higher at 1,844.0, for a week's rise of 2.1 per cent. Turnover was A$876.2m with rises outpacing falls by four to one. In the media sector News Corp eased 1 cent to A$8.48, while Nine Network gained 10 cents to A$3.60. Fairfax added 1 cent to A$2.32.

NEW ZEALAND broke through the 1,800 level for the first time since March 1990, assisted by another sharp rise in Telecom, which closed at a record high, up 14 cents at NZ$3.68, following Thursday's good first quarter results. The NZSE-40 index finished 33.73 higher at 1,816.04 in turnover of NZ$4.05m.

HONG KONG moved firmly ahead as investors bought blue chips, particularly in the utilities sector, and the Hang Seng index ended 89.03 or 1.3 per cent higher at 6,988.96, for a weekly rise of 3.5 per cent. Turnover dipped to HK$2.78bn compared with Thursday's HK$3.06bn.

MANILA rebounded on strong buying of blue chips and mining issues. The composite index gained 12.68 to a record high of 1,751.21, up 2.5 per cent on the week. Turnover was strong at 675m pesos.

TAIWAN reversed early gains to close moderately lower in thin trade after the central bank cut its secured loan rate by 50 basis points after Thursday's close.

The weighted index, which had risen some 20 points in early trade, soon fell back, ending 28.42 down at 3,994.20, off 0.8 per cent on the week.

Turnover was T$12.7bn against Thursday's T$13.6bn.

Many brokers said that the rate cut was positive, confirming the central bank's commitment to a monetary easing that began in April; but investors were disappointed that the central bank did not do more.

JAKARTA saw activity rebound with heavy trading in several liquid stocks which took the official index 2.67 higher to 356.72.

BOMBAY moved sharply higher in spite of end-of-session profit-taking by speculators and the BSE index rose 99.4 to 2,332.14.

SOUTH AFRICA

GOLDS made strong gains as bullion surged through $400 an ounce but caution capped the rally. Golds ended 110 or 5.5 per cent higher at 2,098, industrials rose 30 to 4,598 and the overall index added 92 to 4,177.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡	100	—	100¼	99⅞	6.08	5.67
Treas 13¼pc 1993‡‡	102½	—	106⅞	101½	13.41	5.42
8¼pc 1994	101⅞xd	—	102⅞	101⅞	8.38	5.39
14½pc 1994‡‡	105⅞xd	—	109¼	105⅞	13.78	5.41
Exch 13½pc 1994	105¾	—	109⅞	105¾	12.77	[illegible]
Treas. 10pc Ln. 1994‡‡	103⅞	—	105⅞	103⅞	9.64	[illegible]
Exch 12½pc 1994	107⅞xd	—	110⅞	107⅞	11.67	[illegible]
Treas 9pc 1994‡‡	104⅞	+⅛	106⅞	103⅞	8.53	[illegible]
12pc 1995	109⅞	+⅛	111⅞	106⅞	11.00	[illegible]
Exch 3pc Gas 90-95	96⅞	—	96⅞	94	3.10	[illegible]
10¼pc 1995	108⅞	+⅛	109⅞	107⅞	9.46	[illegible]
Treas 12¾pc 1995‡‡	114⅞	+⅛	116⅞	113⅞	11.13	[illegible]
14pc 1996	118⅞	+⅛	120⅞	117⅞	11.84	[illegible]
15¼pc 1996‡‡	122⅞	+⅛	125⅞	121⅞	12.43	[illegible]
Exch 13¼pc 1996‡‡	117⅞	+⅛	120⅞	116½	11.23	[illegible]
Conversion 10pc 1996	111	+⅛	111½	106⅞	9.01	[illegible]
Treas 13¼pc 1997‡‡	120⅞	+⅛	122⅞	118⅞	10.98	[illegible]
Exch 10½pc 1997	112⅞xd	+⅛	113⅞	110⅞	9.30	[illegible]
Treas 8¾pc 1997‡‡	108⅞xd	+⅛	108⅞	105⅞	8.09	[illegible]
Exch 15pc 1997	128⅞	+⅛	132⅞	127⅞	11.69	[illegible]
9¾pc 1998	111⅞	+⅛	112⅞	109⅞	8.73	[illegible]
Treas 7¼pc 1998‡‡	102⅞	+⅛	103⅞	98⅞	7.06	[illegible]
7¼pc 1998 A‡‡	102⅞	+⅛	102⅞	99⅞	7.09	[illegible]
7¼pc 1998 B‡‡	20⅞	+⅛	20⅞	19½	7.04	[illegible]
Treas 6¾pc 1995-98‡‡	100⅞	+⅛	101	97⅞	6.71	[illegible]
14pc '98-1	127⅞	+⅛	129½	125⅞	10.97	[illegible]
Five to Fifteen Years						
Treas 7pc 2001[illegible]	101⅞	+⅛	101⅞	17⅞	7.08	[illegible]
Treas 15½pc '98‡‡	136⅞	+⅛	139⅞	133⅞	11.35	6.84
Exch 12pc 1998	121⅞	+⅛	122⅞	118⅞	9.88	7.06
Treas 9½pc 1999‡‡	111⅞	+⅛	112½	108⅞	8.51	6.89
Exch 12¼pc 1999	123⅞	+⅛	124⅞	120⅞	9.92	7.14
Treas 10½pc 1999	116⅞	+⅛	117⅞	112⅞	9.03	7.02
Conversion 10¼pc 1999	116⅞	+⅛	117⅞	112⅞	8.83	7.05
9pc 2000‡‡	110⅞xd	+⅛	110⅞	106	8.16	7.03
Treas 13pc 2000	130⅞	+⅛	137	125½	9.98	7.36
10pc 2001	115⅞xd	+⅛	116⅞	109⅞	8.67	7.31
9¾pc 2002	115⅞xd	+⅛	115⅞	108⅞	8.48	7.41

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
8pc 2003‡‡	104⅞	+⅛	104⅞	97⅞	7.69	7.31
8pc 2003 A‡‡	104⅞	+⅛	104⅞	102⅞	7.65	7.33
10pc 2003	117⅞	+⅛	117⅞	109⅞	8.51	7.49
Treas 11½pc 2001-4	122⅞	+⅛	122⅞	116⅞	9.39	7.56
Funding 3½pc '99-4	76⅞	+⅛	76⅞	67⅞	4.66	6.55
[illegible]						
Undated						
Consols 4pc	46⅞xd	+⅛	50⅞	42⅞	8.69	–
War Loan 3½pc‡‡	44⅞	+½	44⅞	36⅞	7.91	–
Conv 3½pc '61 Aft.	63⅞	+⅛	64⅞	60⅞	5.48	–
Treas 3pc '66 Aft.	37⅞	+⅛	37⅞	33½	7.97	–
Consols 2½pc	32⅞	+⅛	32⅞	28⅞	7.83	–
Treas. 2½pc	31⅞	+⅛	31⅞	27⅞	7.92	–

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked						
Treas. 2pc '94 (102.9)	134⅞	+⅛	134⅞	131⅞	–	0.84
2pc '96 (67.9)	198⅞	+⅛	199⅞	194⅞	1.76	2.69
4⅝pc '98‡‡ (135.6)	109⅞	+⅛	109⅞	105⅞	2.17	2.80
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1992: 139.7 and for June 1993: 141.0.

OTHER FIXED INTEREST

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						
Leeds 13½pc 2006	139⅞	+⅛	139⅞	128	9.69	8.56
Liverpool 3½pc Irred.	40⅞	+⅛	40⅞	34	8.70	–
LCC 3pc '20 Aft.	36⅞	+⅛	36⅞	30½	8.28	–
Manchester 11½pc 2007	123⅞	+⅛	123⅞	114	9.29	8.69
Met. Wtr. 3pc 'B'	70⅞	+⅛	70⅞	63⅞	4.29	7.27
Wwide Anglia 3⅞pc 2021	133⅞	+⅛	133⅞	117½	–	4.32
4⅛pc IL 2024	128⅞	+⅛	128⅞	115⅞	–	4.30
Utd Mex States 16½pc 2008	143	+⅛	143	132¼	11.54	11.17

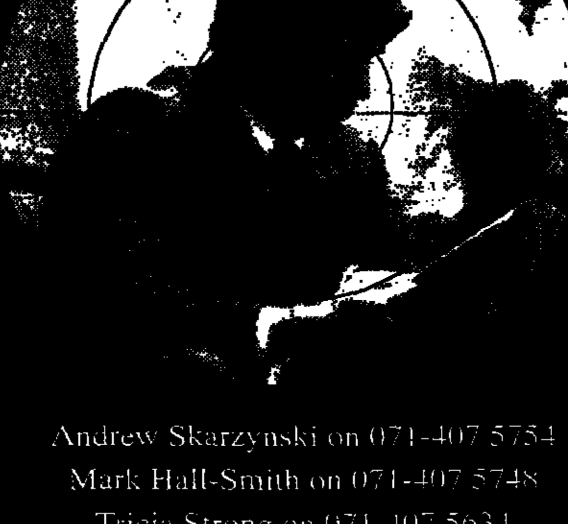
Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 29 1993								WEDNESDAY JULY 28 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	139.77	+0.4	139.40	93.83	126.04	137.59	+0.5	3.65	139.16	138.23	92.63	124.44	136.84	144.19	117.39	142.77
Austria (17)	159.49	-0.5	159.07	107.07	143.82	142.98	-0.1	1.36	160.32	159.26	106.72	143.37	143.11	160.59	131.16	154.05
Belgium (42)	144.26	-2.1	143.88	96.84	130.09	128.78	-0.3	4.44	147.31	146.33	98.04	131.72	129.14	156.76	131.19	146.69
Canada (108)	125.94	+0.4	125.61	84.54	113.56	117.41	+0.7	2.87	125.39	124.56	83.46	112.12	116.54	130.38	111.41	128.20
Denmark (33)	211.67	+1.0	211.11	142.10	190.88	194.33	+1.9	1.16	209.57	208.18	139.50	187.41	190.62	225.64	185.11	239.52
Finland (23)	101.19	-0.1	100.92	67.93	91.25	124.12	+0.4	0.98	101.27	100.60	67.41	90.56	123.59	101.27	65.50	89.74
France (97)	153.87	+0.9	153.46	103.28	138.74	143.00	+2.1	3.21	152.42	151.41	101.45	136.29	140.05	167.36	142.72	158.41
Germany (60)	115.02	-0.9	114.72	77.22	103.72	103.72	-0.1	2.04	116.06	115.29	77.26	103.78	103.78	117.10	101.59	120.32
Hong Kong (55)	276.42	-0.3	275.69	185.56	249.27	275.23	-0.3	3.45	277.27	275.43	184.56	247.96	276.06	301.61	218.82	242.74
Ireland (15)	157.94	-1.0	157.53	106.03	142.43	160.11	+0.1	3.44	159.55	158.49	106.20	142.68	159.96	170.40	129.28	158.74
Italy (70)	68.97	-0.6	68.79	46.30	62.19	82.91	+0.1	1.96	69.39	68.93	46.18	62.05	82.80	72.82	53.78	61.45
Japan (470)	155.51	+1.5	155.11	104.40	140.25	104.40	+2.3	0.80	153.29	152.27	102.03	137.09	102.03	155.96	100.75	92.41
Malaysia (69)	349.18	+0.1	348.26	234.40	314.87	344.88	+0.2	1.87	348.68	346.36	232.08	311.79	344.11	349.34	251.66	241.87
Mexico (19)	1582.33	-1.3	1578.16	1062.23	1426.88	5393.38	-1.4	0.91	1603.64	1592.99	1067.41	1434.01	5470.39	1725.81	1410.30	1385.11
Netherland (24)	167.62	-0.2	167.18	112.52	151.16	149.18	+0.6	3.68	167.94	166.83	111.78	150.18	148.28	172.75	150.39	161.18
New Zealand (13)	54.19	+0.9	54.05	36.38	48.87	52.22	+0.9	4.27	53.71	53.35	35.75	48.03	51.74	54.19	40.56	44.81
Norway (22)	157.21	-1.4	156.80	105.54	141.77	158.23	-0.5	1.67	159.42	158.36	106.11	142.56	159.09	166.21	137.71	171.74
Singapore (38)	250.85	+0.3	250.19	168.40	226.21	186.64	+0.4	1.86	250.06	248.40	166.45	223.61	185.87	262.72	207.04	208.54
South Africa (60)	209.58	+0.4	209.02	140.69	188.98	205.90	+1.1	2.49	208.74	207.36	138.94	186.66	203.72	211.77	144.72	204.45
Spain (44)	117.85	-0.8	117.54	79.11	106.27	127.04	+1.6	4.61	118.78	117.99	79.06	106.21	124.99	132.82	115.23	139.20
Sweden (36)	170.19	-1.7	169.74	114.25	153.47	207.60	+0.3	1.62	173.16	172.01	115.26	154.85	207.00	184.06	149.70	187.57
Switzerland (50)	127.14	-0.9	126.80	85.35	114.66	120.16	-0.2	1.81	128.28	127.42	85.39	114.72	120.44	129.36	108.91	112.05
United Kingdom (218)	176.37	+0.7	175.91	118.39	159.03	175.91	+1.1	3.95	175.09	173.93	116.53	156.55	173.93	181.99	162.00	183.61
USA (520)	184.16	+0.6	183.67	123.63	166.07	184.16	+0.8	2.77	183.00	181.79	121.82	163.65	183.00	186.27	175.38	172.59
Europe (751)	145.10	+0.0	144.72	97.41	130.85	140.84	+0.8	3.17	145.05	144.08	96.55	129.71	139.67	149.02	133.92	147.76
Nordic (114)	162.69	-0.9	162.26	109.21	146.71	172.12	+0.6	1.44	164.12	163.02	109.24	146.76	171.02	171.77	142.13	175.25
Pacific Basin (714)	158.47	+1.3	158.06	106.39	142.91	110.76	+2.1	1.06	156.44	155.40	104.13	139.90	108.51	159.07	105.89	99.29
Euro-Pacific (1465)	152.87	+0.8	152.47	102.61	137.84	123.38	+1.6	1.89	151.65	150.64	100.93	135.60	121.46	154.05	117.26	118.89
North America (628)	180.53	+0.6	180.06	121.21	162.83	179.62	+0.6	2.78	179.42	178.23	119.44	160.47	178.48	182.38	171.51	169.81
Europe Ex. UK (533)	125.67	-0.4	125.33	84.38	113.34	120.45	+0.6	2.64	126.22	125.38	84.03	112.89	119.70	128.65	112.51	126.06
Pacific Ex. Japan (244)	188.29	+0.1	187.80	126.42	169.81	174.21	-0.2	3.18	188.10	186.85	125.22	168.22	173.93	194.08	152.70	167.12
World Ex. US (1652)	153.42	+0.8	153.02	103.00	138.35	125.41	+1.5	1.91	152.26	151.25	101.35	136.16	123.53	154.27	118.51	120.92
World Ex. UK (1954)	161.36	+0.7	160.93	108.33	145.52	140.35	+1.2	2.08	160.22	159.16	106.65	143.29	138.70	161.36	134.22	133.05
World Ex. So. Af. (2112)	162.48	+0.7	162.05	109.08	146.53	143.10	+1.2	2.23	161.32	160.25	107.39	144.27	141.43	162.74	137.29	137.01
World Ex. Japan (1702)	168.55	+0.4	168.10	113.16	152.01	165.33	+0.7	2.91	167.93	166.81	111.79	150.19	164.25	170.05	157.47	162.35
The World Index (2172)	162.70	+0.7	162.27	109.23	146.73	143.63	+1.2	2.24	161.55	160.48	107.53	144.47	141.95	162.86	137.32	137.41

Latest prices were unavailable for this edition.



LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅞xd	–⅛	20⅛	15⅝	14,129	2.6
Allegheny & W	♥	624p	+5	652p	390p	324.3	3.0
Amdahl		354p	–6	681p	302½p	387.5	0.9
Amer Cyanamid		39⅝	+½	39⅝	31¼	3,211	2.9
Amer Express		22¼xd	+⅛	22¼	14⅞	10,707	2.8
Amer T & T		43¼xd	+½	43¼	33⅛	57,517	1.9
Ameritech		54½	+1⅜	54½	46	23,882	4.3
BankAmerica		30½xd	+⅞	38⅛	27⅛	10,632	2.9
Bankers NY		52⅞xd	+⅝	52⅞	42⅝	4,243	3.7
Bell Atlantic		40⅝	+⅛	40⅝	32¼	17,540	4.2
BellSouth		39¼	+⅞	39⅞	32⅞	19,388	4.5
Bethlehem Steel	♥	9⅛xd	+⅛	13¼	9⅞	889.4	–
Bowater		1374pxd	+2	1682p	1287p	497.9	1.8
CPC		27⅝xd	+⅛	34⅝	26	4,184	2.9
California Engy		1232p	–2	1478p	1086p	224.3	–
Chase Manhattan		21⅞xd	+⅞	24½	17⅝	3,336	3.8
Chrysler		29⅛xd	+⅛	32⅛	21⅛	8,820	1.3
Citicorp		22⅛xd	+½	22⅞	13⅛	8,179	–
Colgate-Palm		34⅛xd	+⅛	45⅞	32⅛	5,468	2.6
Cont'l Bank		1618p	+37	1677p	1278p	1,635	2.3
Dana		37xd	+⅞	37	29⅛	1,689	2.7
Data General		573p	+3	961p	570p	159.1	–
Decora Inds	♥	120p	—	148p	108p	–	–
Dun & Brad		40	+¼	42⅞	37⅛	7,129	3.9
Eaton	h	38¼	+⅛	31⅛	25⅛	2,136	2.2
Echlin		19⅞xd	–⅛	20½	15⅛	1,121	2.3
FPL		28⅛xd	+½	27⅞	23¼	4,814	5.9
Ford Motor		35⅞xd	+1⅛	36½	28⅞	17,611	1.8
Gen Elect		60½xd	–5	67⅛	53⅞	51,888	2.6
General Host	♥	550p	+4	723p	513p	–	4.0
Gillette		34⅛xd	+⅛	42⅞	31⅛	7,808	1.5
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.7
Honeywell		23⅛xd	+⅞	26½	20⅛	3,271	2.4
Houston Inds		31⅞	+⅛	33¼	28¼	4,083	6.0
Ingersoll-Rand		22⅞xd	–⅛	25	19⅛	2,344	2.0
Lockheed		45¼	+½	45¼	35⅛	2,778	2.9
Lowe's	h	2546p	+36	2661p	1573p	1,857	0.7
Maxwy Technology		172p	—	203p	127p	–	–
Merrill Lynch		59¼xd	+1¼	59¼	37	8,088	1.3
Morgan (JP)		49⅛xd	+1⅛	49⅞	36¼	8,412	3.1
Morris (Philip)	‡	32xd	+½	52⅞	28⅞	28,043	5.2

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

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INSURANCE COMPOSITE

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INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

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INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

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OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

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OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

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STORES

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STORES - Cont.

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TELEPHONE NETWORKS

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TEXTILES

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TRANSPORT

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WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¤ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings" draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

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FINANCIAL TIMES
Weekend July 31/August 1 1993

Bosnian adversaries accept UN's plan to divide republic

By Laura Silber in Geneva

INTERNATIONAL mediators yesterday achieved a breakthrough when Bosnian President Alija Izetbegovic caved in to intense pressure and approved the division of Bosnia into three republics as part of a settlement to end the 16-month war.

On the fourth day of negotiations in Geneva, peace envoys said they had arranged an agreement between Mr Izetbegovic and his Serb and Croat adversaries.

Mr John Mills, the UN's Geneva talks spokesman, said the three main adversaries of the Bosnian crisis had backed the "constitutional agreement for the union of republics of Bosnia and Hercegovina".

Mr Slobodan Milosevic, Serbian president, welcomed the agreement. "It completely affirms Srpska Republika," he said in reference to the self-styled Serbian state which covers 70 per cent of Bosnia.

The agreement appeared to favour the Serb and Croat plan to form their own ethnic mini-states. At the same time, it signalled the defeat of the Bosnian government platform of preserving a federal, united state.

Mr Mills said the parties would meet over the weekend to hammer out the details of the plan. The three sides have yet to decide on the maps delineating the territory of the three ethnic republics. Mr Mirko Pejanovic, a Serbian member of the Bosnian leadership, said the map negotiations would be the "most difficult".

Mr Izetbegovic, who has consistently rejected the ethnic partition of Bosnia, left an all-party meeting without comment. He is likely to play down the significance of the agreement.

Asked if the deal meant ethnic division, Mr Pejanovic said: "It is a heavy price. But it is one we have to pay if there is to be peace."

A UN official said the agreement had not been changed substantially from the proposal submitted by Lord Owen and Mr Thorvald Stoltenberg, the international mediators. Croatian President Franjo Tudjman, who has attended the peace talks along with Mr Milosevic, yesterday welcomed the agreement.

The deal gives a weak central government control over foreign affairs and international trade.

Mr Kasim Trnka, a Bosnian constitutional expert, dismissed the plan as "not even a confederation – it is a carve-up".

Mr Mills said the agreement was reached "after intensive discussion on a number of drafts, with amendments agreed by all three parties".

As the negotiations entered their fourth day, one Spanish soldier was killed and 17 wounded when shells pounded a UN barracks in Jablanica, south-west of Sarajevo.

The three commanders of the warring parties met yesterday at Sarajevo airport and agreed to implement a ceasefire, following orders from their political leaders to cease hostilities.

In a letter yesterday to Mr Boutros-Boutros Ghali, UN secretary-general, Mr Karadzic appeared to concede that his troops were responsible for an earlier shelling of a UN base in Sarajevo.

Electricity regulator calls for reform of power market

By Michael Smith

THE electricity industry regulator, Professor Stephen Littlechild, is to decide this year on whether to refer the UK's two main generators to the Monopolies and Mergers Commission after calling yesterday for significant reform in the power trading market.

His deliberations on the monopolies referral will cast doubt on ministers' plans to raise £5.5bn from privatisation sales in 1994-5. The government would probably be forced to postpone plans to sell the state's 40 per cent stakes in PowerGen and National Power, worth £3bn, next year if the companies were referred.

Prof Littlechild's move to bring forward a monopolies decision, previously expected in 1995, follows a two-month inquiry into price rises in the electricity wholesale pool where all power in England and Wales is traded.

He said the generators' ability to raise prices, a primary cause of the pool increases, was a matter of widespread concern.

Prof Littlechild criticised the pool's pricing mechanism. He said it should be simplified and more attention should be paid to customers' needs. The pool needed to think "less about central planning and more in terms of what the market needs to work effectively". He also urged changes in responsibilities between the pool and the National Grid, and backed proposals which would allow large customers to bypass the pool and buy directly from generators.

This year's pool selling prices, up 20 per cent on last year, have hit hard the more than 1,000 large industrial customers, such as Imperial Chemical Industries, which buy directly from the pool.

Domestic and commercial users have escaped unscathed because they are covered by long-term "hedging" contracts between electricity companies. Prof Littlechild warned yesterday that their prices would be affected in future as new contracts would take account of pool price changes.

ICI yesterday criticised the regulator for "taking no firm action" to correct problems he had identified or compensate those companies which had paid for the price deficiencies. "His conclusions are limited to exhortations to others to consider action, coupled with veiled threats of a reference to the Monopolies and Mergers Commission," the company said.

In his report Prof Littlechild said the size of the increase was more attributable to National Power than PowerGen.

National Power said yesterday it was not easy to defend a rising price during a recession but said its prices were not excessive.

The company said pool customers had been enjoying artificially low prices for some time. Most of those customers now suffering were those who previously enjoyed subsidies.

PowerGen said pool prices were not too high when judged against its need to provide a return on capital and sustain long-term investment.

Mrs Margaret Thompson, pool chief executive, said an internal review of operations was already making progress in areas flagged by the regulator including simplifying trading arrangements.

See Lex

Major firm on fuel VAT

Continued from Page 1

Conservative voters in Christchurch rekindling speculation about a possible challenge to Mr Major's leadership, Mr Douglas Hurd, the foreign secretary, led a concerted attempt to emphasise that economic revival would soon bring a recovery in the prime minister's fortunes. Mr Hurd admitted the government needed to do better in the way it dealt with the difficult questions: "We have to listen, to decide, to persuade – and we have to improve our performance on all three."

Mr Ashdown said that by giving his party such a success Christchurch had let out "a shout of rage" for the people of Britain about the government's policies.

It was not simply another one-off by-election victory, he insisted. "If the Conservatives continue to do what they have done already today, which is to treat this with some complacency, not to say contempt . . . they will seriously underestimate the message of this by-election."

He echoed the words of Mrs Diana Maddock, the winning candidate, to the prime minister: "Change your policies or get ready to change your job."

THE LEX COLUMN

A faulty mechanism

The ERM is clinging to life, but there can only be limited hope of remission. There have long been only two ways of laying European currency tensions to rest. Either Germany changes its mind on interest rates, which seems ever more remote given the weakness of its bond market and of the D-mark against the dollar and the yen, or France leaves the system so that it can cut interest rates sharply enough to revive its recession-bound economy. Perhaps the political capital at stake is too great for European governments to grasp this nettle. Perhaps they are simply too stunned by the extent of the crisis that has enveloped the system.

Technical adjustments like a unilateral upward revaluation of the D-Mark or a widening of bands within the system could never be anything other than a temporary solution. As long as the interest rate problem is not addressed the markets will quickly resume their attack. As this thought sinks in, those involved must turn their attention to who receives the blame. It would be some consolation for France if the ERM failed because Germany's fears for its own money supply forced it to withdraw intervention support for the franc.

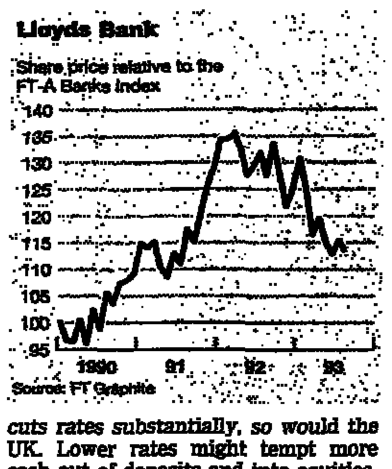
Indeed the Bundesbank looks to have lost in terms of credibility. Its failure to appreciate the international consequences of Thursday's refusal to cut its discount rate appears naive. Conflicting statements by Bundesbank council members yesterday over the conduct of day-to-day money market operations underline the disarray at the top. Independent central banks are fine as long as they are perceived to be in control. Markets have grounds to worry when they are not.

UK equities

The ERM's travails doubtless provoke smug satisfaction within UK government circles. Yet while ministers are struggling desperately with the urge to yell "I told you so", they might also have an eye to sterling's appreciation. As the CBI warned this week, a rising currency will damp down export prospects – particularly if the ERM finally disintegrates and some currencies fall sharply.

The equity market, however, has been buoyed by the notion that UK interest rates are on the way down regardless. Should Germany change tack and cut rates to save the ERM, Britain would follow to slow sterling's rise. If France leaves the system and cuts rates substantially, so would the UK. Lower rates might tempt more cash out of deposits and into equities, yet the demanding rating of the market will make upward progress difficult.

FT-SE Index: 2926.5 (+8.9)



Besides, any fall in rates would only offset an effective monetary tightening from the exchange rate. Overall, the pace of economic growth might not be much affected, though its composition would be tilted away from exports towards domestic consumption. If the shift became pronounced, enthusiasm for overseas earners and export manufacturers would wane, while dowdy domestic sectors like stores might once again find a place in the sun.

Lloyds Bank

Perhaps the most depressing aspect of Lloyds interim figures is the results of its retail bank. The limits to growth show clearly in profits before provisions down 4 per cent despite a 5 per cent fall in costs. Lloyds blames weak loan demand and the lower income earned on its interest-free liabilities as a result of lower base rates. But its high return targets make life particularly hard in such difficult markets. They may have caused the bank to forgo some lending opportunities, for example in the mortgage market where other banks have been taking business from the building societies.

Nor do accounting changes under new European Community rules help. While £120m of last year's first half group operating income disappears in the restatement, the cost income ratio rises to 65.5 per cent and the tier one capital ratio is suddenly a mere 6 per cent. In short, Lloyds starts to look much more like an ordinary bank and one with a strategic problem to boot.

Certainly the stock market seems less impressed by Mr Brian Pitman's magic touch as chief executive. The shares fell over 4 per cent yesterday even though LLoyds reported a net return on shareholders' equity of 21.3 per cent. If Mr Pitman really believes future growth opportunities will be limited by a non-inflationary environment, he should be rushing to pay surplus cash back. Ambivalence on this score suggests he is still tempted by the acquisition route to growth. A weak share price will not make that approach any easier.

UK electricity

Students of conspiracy theory and watchers of smoke-filled rooms will be busy deconstructing Professor Stephen Littlechild's threats to the electricity generators this weekend. The testy tone of the regulator's comments suggests he is losing patience with the generators which, despite four investigations, have continued to push prices up in the 'spot' electricity pool. If Offer's investigation concludes that the generators' margins are too high, an investigation by the Monopolies and Mergers Commission would naturally follow.

But it may be that the generators would like to provoke Offer into a decision on a possible MMC referral while the government still holds 40 per cent stakes in both companies. The shares were due to be sold next spring to help fund the PSBR. Any MMC referral would delay that and might damage the value of the holdings. Pressure from the Treasury to avoid a referral would thus be intense, as the generators are doubtless aware.

Whatever the politics, the two most likely grounds for referral to the MMC are charges of profiteering or market power. Evidence for excess profits will have to wait for the results of Offer's investigation, though the upward drift in prices is disturbing. On market power there is a clear case for referral. While the generators' overall market share is falling, they are losing out to nuclear power and shortly to new gas-fired plant, both of which operate as 'base-load' electricity. The marginal segment of the market, which determines the price, remains firmly in the hands of the companies. Whether that will be enough to call the government's hand in such a high-rolling game of political poker remains to be seen.

Future of ERM hangs in the balance

Continued from Page 1

Monetary officials observed that Bundesbank interventions on behalf of the franc risked an inflationary bloating of Germany's money supply, as during last September's ERM crisis which led to the forced exit of sterling and the lira.

Other officials said "all options" for saving the ERM were being discussed by monetary authorities in the EC. These included proposals for widening the bands of fluctuation between the "strong" EC currencies, but these were not on the "front-burner".

Mr Pedro Solbes, Spain's finance minister, said he favoured some contact between the ERM nations this weekend. He said: "France and Germany have to come up with a solution to the situation since they're the ones who have things to resolve."

But Mr Jean-Luc Dehaene, the Belgian prime minister, said there had been no call from any EC member state for a meeting of the monetary committee, and added that Belgium as current EC president would not take the initiative in calling one.

In the UK, Mr Eddie George, the Bank of England governor, briefed Mr Kenneth Clarke, the chancellor, on the crisis.

On the Paris bourse, investors pushed up share prices by 2.5 per cent to their highest level for three years, in the belief an imminent untying of the franc from the D-Mark would allow an interest rate cut to boost growth prospects.

The turbulence in the ERM led to substantial inflows into the dollar and gold. The dollar closed in London at \$1.7405, up more than half a pfennig on the day, and its highest level for 23 months. Its strength may weaken the chances of a cut in German interest rates, because a weaker D-Mark would have inflationary implications for Germany.

Gold closed at \$406.40 an ounce, a fresh high since the Gulf War in January 1991.

In London, speculation about easier borrowing conditions across Europe pushed the FT-SE 100 share index up 8.9 points to 2,926.5 for a 98.8 gain on the week. UK gilts and French government bonds closed 1 point up.

FT WORLD WEATHER

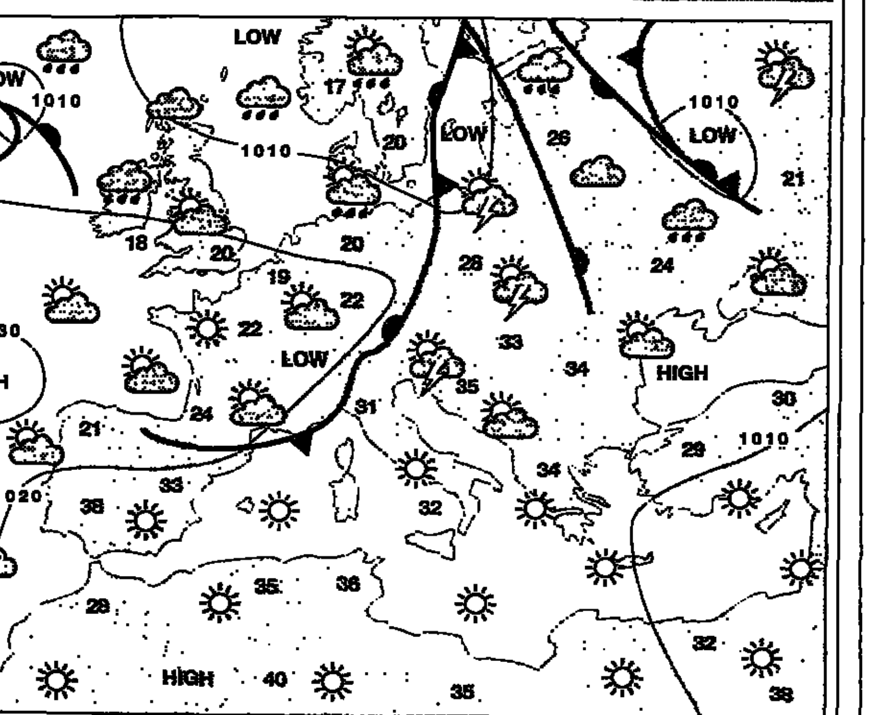
Europe today

An area of high pressure will build over France in the wake of a cold front moving over central Europe. As a result, north-western Europe will have sunny intervals. A few showers will form, especially in northern regions. It will be cloudy with outbreaks of rain over Scotland and Ireland. Readings will be around 16C. During the afternoon and evening, the rain will spread across England. Thunderstorms will occur in the very warm and moist air ahead of a cold front in Poland and the eastern Alps. A series of depressions will bring local heavy rain or showers with the risk of thunder to Scandinavia. Temperatures will rise to 17C-22C. In the Mediterranean, it will continue mostly sunny and very warm.

Five-day forecast

Most of Scotland, Ireland and Scandinavia will continue to be unsettled and cool. Elsewhere in north-western Europe there will be sunny periods, sometimes interspersed with local thundery showers. Readings will be around 21C. Central Europe will be sunnier and warmer, but at some locations thunderstorms will occur.

Generally sunny over southern and south-eastern Europe. Afternoon readings will be above 30C.



TODAY'S TEMPERATURES

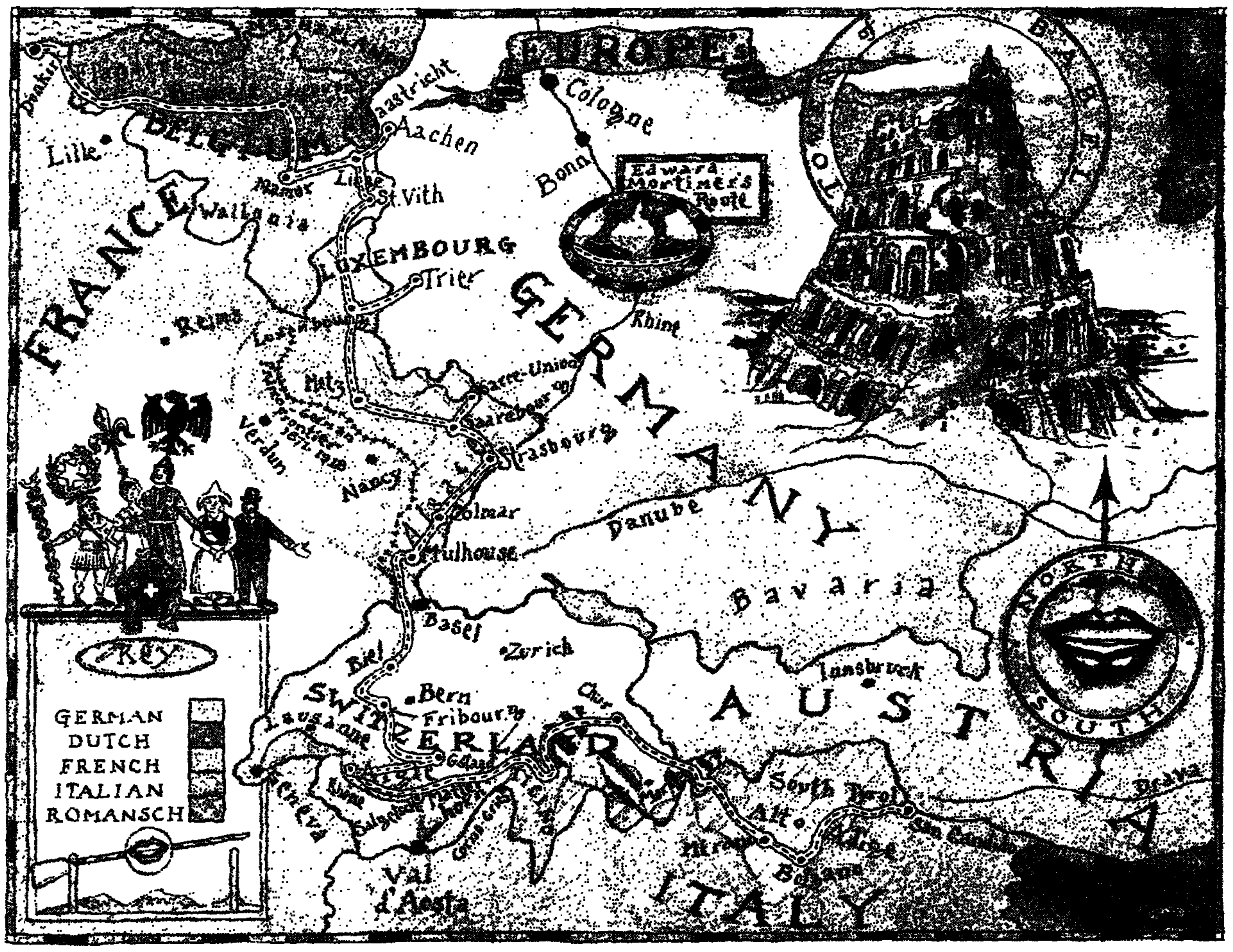
Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	fair	42
Accra	cloudy	28
Algiers	sun	35
Amsterdam	shower	19
Athens	sun	34
Bangkok	rain	33
Barcelona	sun	28
Beijing	shower	30
Belfast	rain	17
Belgrade	sun	35
Berlin	thund	22
Bermuda	fair	30
Birmingham	fair	19
Bogota	rain	17
Bombay	shower	30
Bordeaux	fair	24
Brussels	fair	20
Budapest	fair	32
Buenos Aires	fair	12
Cairo	sun	38
Cape Town	fair	19
Caracas	fair	27
Chicago	thund	30
Cologne	fair	20
Copenhagen	shower	19
D' Salaam	cloudy	28
Dakar	fair	30
Dallas	sun	40
Darwin	fair	30
Delhi	fair	35
Dubai	fair	43
Dublin	drzzl	18
Dubrovnik	sun	34
Edinburgh	shower	19
Faro	sun	29
Frankfurt	shower	23
Geneva	fair	24
Glasgow	cloudy	17
Hamburg	shower	20
Helsinki	fair	22
Hong Kong	rain	31
Honolulu	fair	31
Isle of Man	rain	17
Istanbul	sun	29
Jersey	cloudy	17
Karachi	fair	34
Kuwait	sun	47
La Paz	shower	15
Las Palmas	fair	28
Lisbon	fair	29
London	fair	20
Los Angeles	sun	31
Luxembourg	fair	20
Lyon	shower	25
Madeira	shower	25
Madrid	sun	33
Majorca	fair	33
Malta	sun	35
Manchester	cloudy	18
Manila	shower	31
Melbourne	shower	14
Mexico City	shower	23
Miami	thund	33
Milan	thund	31
Montreal	fair	26
Moscow	shower	20
Munich	thund	21
Nairobi	cloudy	22
Naples	sun	33
Nassau	fair	33
New York	thund	27
Nice	sun	28
Nicosia	sun	34
Oslo	fair	21
Paris	fair	22
Perth	fair	16
Prague	shower	22
R' de Janeiro	shower	22
Rangoon	drzzl	29
Reykjavik	fair	14
Riyadh	sun	43
Rome	fair	31
S' Francisco	sun	27
Seoul	shower	28
Singapore	rain	28
Stockholm	thund	20
Strasbourg	fair	23
Sydney	shower	15
Tel Aviv	sun	35
Tokyo	thund	28
Toronto	fair	27
Tunis	sun	36
Vancouver	fair	21
Venice	thund	30
Vienna	thund	28
Warsaw	thund	30
Washington	fair	30
Wellington	fair	12
Winnipeg	fair	26
Zurich	shower	23

Weekend FT
SECTION II Weekend July 31/August 1 1993

A journey along Europe's fault line

Edward Mortimer travelled through the linguistic borderlands between Romance and Teutonic and found the scars of history everywhere



THE IDEA first came to me 10 years ago, on the way back from a holiday in Italy. We found ourselves driving through a series of countries or regions – Switzerland, Alsace, Luxembourg, Belgium – where Romance languages (mainly French) overlap with Teutonic ones (German and Dutch). It occurred to me that this was the great historic and cultural divide in western Europe.

On one side of us were lands where the Roman empire had put down such deep roots that, 1,500 years after its disappearance, people still spoke languages derived from Latin. On the other were the linguistic descendants of those "barbarian" tribes which were never fully Romanised, but stuck to their Germanic speech.

I remembered my old headmaster, Robert Birley, telling us about the Treaty of Verdun in 843AD, when Charlemagne's empire was divided between his three grandsons. Charles the Bald got the west, which became France; Louis "the German" got the lands east of the Rhine; and the eldest, Lothair, got a long, thin middle kingdom stretching from Friesland to the border of Calabria. "And you know," Birley would say, swinging his spectacles with excitement, "the whole of subsequent European history can be seen as a struggle between the heirs of Charles and Louis to control the kingdom of Lothair."

The kingdom of Lothair: the great battleground of western Europe, but also its richest, most productive region – today's "golden banana." The clash of cultures, I thought, had been both destructive and creative on a dazzling scale. The land was soaked in blood, but from it sprang cathedrals, cloth halls, colleges, châteaux.

There is, after all, something stimulating about cultural hybridity – perhaps something quintessentially European. Certainly this is the region where "Europe" has aroused the greatest enthusiasm: it offers peaceful exchange instead of violent conflict, and makes dilemmas about national identity less agonising, because less absolute.

I formed a plan to explore the region a little more systematically: to attempt a journey along the fault line, observing in greater detail both its historical residue (buildings, statues, inscriptions) and the way it is experienced by those who live on it today. This summer a sabbatical leave from the *FT* gave me the chance to do it.

Leaving England on May 28, I started at Dunkirk (an old Flemish port, now the northernmost city in France) and for the next five weeks worked my way south and east along the language border, travelling a short distance each day, usually by bus or train, sometimes on foot, staying in *pensions* or cheap hotels, or quite often – unashamed of my grey hair – in youth hostels. (There is in fact no age limit, other than one's own tolerance for dormitory life).

My proudest moment came when I strode into an Alsatian village, weighed down by my rucksack, and made friends with a resident who turned out to be the German writer and comedian, Philipp Sontag. I asked if there was a path through the forest to the next village, and he consulted his neighbour, introducing me with the words *"hier ist ein englischer Wanderer."*

I did not quite fulfil my ambition of carrying on "until I meet my first Slav." Time ran out on me in South Tyrol/Alto Adige, the predominantly German-speaking province of northern Italy. But I did reach Innichen/San Candido, founded as a Benedictine monastery in the 8th century "to Christianise the Slavs." Evidently they were there then, even if later they were pushed east.

From the summit of Mount Helm (Monte Elmo), I had a fine view of the river Drava flowing down through Austria towards Slovenia, Croatia and the Danube; and also of the Italian-Austrian frontier, running eastward along the top of the Carnic Alps. From there on, it coincides with the language border.

As the crow flies, the distance from Dunkirk to Innichen is 540 miles. The language border, anything but crow-like, is probably double that. Yet in remarkably few places between those two points does it coincide with a national frontier. Perhaps the only stretch where it incontrovertibly does so is between the Matterhorn and the Corno Gries, where the high Alps form a natural barrier between Italy and a purely German-speaking part of Switzerland. To the west French is spoken on both sides of the frontier, and to the east Italian.

The other obvious exception was the short stretch right at the beginning of my route, between Dunkirk and Lille. Here France marches directly with Flanders, the Dutch-speaking region of Belgium. But even that statement has at once to be qualified, because the land on the French side of the frontier is *also* Flanders. True, you do not hear the Flemish dialect spoken there much these days, but almost any middle-aged native will tell you that his parents spoke it, even if he himself no longer does.

In other words, when the frontier was drawn people spoke the same language on both sides, but over time the French language has imposed itself on the French side. Three hundred miles further on, in Alsace, I observed the same process at work, but at an earlier stage. There you cannot help hearing German spoken – or rather the Alsatian dialect, "related to German," as some Alsatians will tell you.

But the people speaking it are almost invariably over 50. Their children understand it, and may reply in kind if spoken to in it, but feel more natural speaking French among themselves. Which means, of course, that the grandchildren are usually not learning it at all.

Thus the French state, with its firm insistence on a single national language and culture, is gradually pushing the language border north and east. In another generation it should fully coincide with the state frontier. If the process has further to go in Alsace than in French Flanders it is because for nearly half a century, between 1870 and 1918, Alsace and northern Lorraine were incorporated into Germany, and their inhabitants firmly taught to think of themselves as German.

That experience was briefly but much more brutally repeated in 1940-44. Ironically enough, this second dose of Germanisation, under Nazi rule, may have sealed the fate of Alsace's German cultural identity. The Alsatians emerged from it doubly traumatised. In many ways being part of the Third Reich was worse than being merely occupied: Alsatians were liable, for instance, to conscription into the Reichswehr, sometimes even into SS units.

But once liberated and reunited with France they found themselves tainted with guilt by association, when not accused of direct complicity in Nazi crimes. Nothing could have been more politically incorrect, in post-war France, than to declare oneself German. Hence the insistence that the Alsatian dialect is not actually German, only related to it. And hence the indignation which drove the father of a friend of mine – a retired village baker – to protest formally to his MP when a well-known French actress opined recently, on television, that the Alsatians were "really German."

The contrast with South Tyrol is striking. There too a historically

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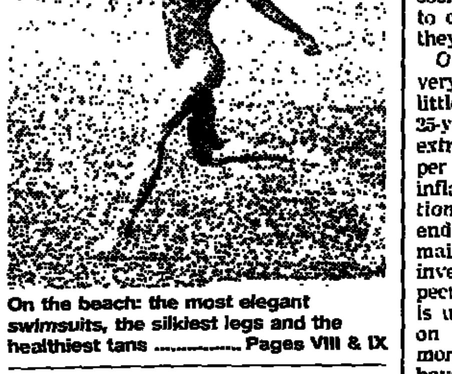


The Long View / **Barry Riley**

Not so well-endowed

#GS002

WHY ON earth would you sign a savings contract at the same time you are borrowing money? It sounds like a contradiction in terms: yet, about 70 per cent of British homebuyers do this when they take out a mortgage. In most cases, they combine the loan with an endowment policy, a long-term savings contract provided by life companies.

These endowment mortgages have been threatened several times already in the past 10 years, for instance by the withdrawal of tax relief on life premiums in 1984 and, more recently, by cuts in bonuses on endowment contracts. Now, they face their biggest and perhaps toughest challenge: the Treasury has decreed that banks and building societies must make a "hard" disclosure to customers of the cash commissions they earn on these plans.

Once, endowment mortgages made very good sense for those able to pay a little bit more each month. Maturing 25-year with-profits plans have proved extremely profitable, earning about 12.5 per cent a year compared with average inflation of 9 per cent. But the attraction has been eroded seriously. The endowment mortgage today reflects mainly a marketing, rather than an investment, opportunity: when Mr Prospect ventures into a mortgage office, he is uniquely open to sales patter based on the premise that an endowment mortgage is "normal" and he should have one, too.

What is the theory behind the endowment mortgage? It is all a matter of a comparison with a repayment mortgage, which is designed to repay the loan through level monthly instalments. At the beginning, the instalments consist almost entirely of interest, with only small amounts repaid; by the end of the term, the reverse is true.

Under this structure, the monthly amounts channelled into repaying the principal are, effectively, earning interest at the mortgage rate. But suppose, instead, that they were invested separately at a higher rate: you would be better off than before. And if the margin were good enough, you could accumulate enough over, say, 25 years to repay the original loan in one lump at maturity, perhaps leaving a surplus.

In the 1960s, these sums worked out extremely well. The mortgage rate was held artificially low by building society-cartel arrangements (at about 7 per cent) and there was unlimited income tax relief on interest, with a standard rate of 30 per cent and higher rates of anything up to 75 per cent. On the savings side, life premiums received a subsidy of half the standard rate of income tax. The money could be invested prudently in gilts or company loan stocks earning 2 or 3 percentage points over the typical mortgage rate.

By the 1970s, inflation was posing a threat to real returns on the savings side although this was more than offset by the negative real cost of mortgage interest (which in 1975 was about *minus* 20 per cent). There was a gap of up to 8 percentage points between the long gilt yield and the net-of-tax mortgage rate. Endowment mortgage plans began to accumulate big profits.

Then came Thatcherism, and deregulation. In the 1980s, the mortgage rate shot up and gilt yields fell. The impact of the £25,000 loan limit for mortgage interest tax relief, imposed in 1974 and increased to only £30,000 in 1983, began to become more serious as house prices surged upwards (today's average new mortgage is nearly £50,000). Life companies shifted their investment strategy and turned to equities to provide the high returns essential to pay the required bonuses. Riskier assumptions were made. Endowment mortgages thereby ceased to represent a sensible exploitation of a reasonably predictable interest differential and, instead, became a stock market speculation.

For several years, the gamble paid off. But a warning of how it could all go wrong came with the notorious home income schemes, which were back-to-front endowment mortgages sold in the 1980s. Pensioners would take out loans secured on their houses and put part of the proceeds into investment bonds, which would repay the interest and debt out of stock dividends and capital gains. But loan rates soared and the stock market crashed in 1987. Thousands of pensioners now dread eviction.

The consequences for endowment mortgagees will not be quite so dire: the worst likely to happen is that they will be asked to raise the monthly payments into their endowments. The increases might be substantial in relation to the endowment premiums alone but, compared with the total outgoings including interest, they should only be modest. All the same, it is highly unsatisfactory that buyers have paid large commissions for being put into contracts which may prove of doubtful value.

Meanwhile, the arithmetic of endowment mortgages continues to get worse. From next April, the maximum monthly tax relief on mortgage interest will shrivel to about £40 a borrower (relief at 20 per cent on a £30,000 loan). The gap between the mortgage rate and the long gilt yield is just about nil, and stock market returns have become more uncertain.

Another way of looking at the whole question is to take account of the role of inflation in eroding mortgage debt. If you took out a 25-year, £20,000 loan in 1968 – a very large sum in those days – it will now seem very small at maturity because it is the equivalent of only £2,340 in 1968 money. It has been easy to accumulate that modest real sum in a parallel savings plan. But if future inflation is only 2 or 3 per cent, instead of 9 per cent, your savings will have to work much harder.

Hard commission disclosure will provide a good opportunity for banks and building societies to look again at the viability of endowment mortgages. But it would be more encouraging if the interests of the customers, rather than regulatory embarrassment, were to trigger the re-think.

■ Another blow for endowments? – Page IV

London

That's the way the money goes

By Tony Jackson

IT'S ONLY money. Half the governments of Europe spent the week hurling vast sums at their collapsing currencies. Merck, the US drug giant, spent $6bn buying a company which puts prescriptions in the mail. Reuters decided to hand £350m back to its shareholders, on the grounds that if it kept the cash it might do something silly with it. All in all, one sees Reuters' point.

Undeniably, cash is not what it was. Not in the UK, at any rate. Bill Smith, head of research at BZW, observes that the return you get on cash these days is the lowest for a generation. It is also lower than the return on gilts, equities or property. This helps to explain why unit trust sales in this year's second quarter were the second highest on record.

Professional investors tend to get slightly twitchy at this point, rather as they do when taxi-drivers start buying gold. If the private punter reckons that the market can only go up, it is usually time to sell. It scarcely helps that the highest quarter on record for unit trust sales was the third quarter of 1987, just before the worst market crash in two decades. But this time, the private punter surely has a point. Though the savings ratio is a little below its peak of six months ago, people are still squirrelling money away; and with equities still yielding almost 4 per cent, there is simply no incentive to leave it in the bank.

The other thing helping the market this week was, of course, the spectacle across the Channel of what looked increasingly like the ERM's death-throes. At the time of writing, the French authorities were still grappling desperately with the speculators and affirming their commitment to the system. But then they would, wouldn't they. As one market cynic put it yesterday, to make sense of what is happening you need only take what the UK government was saying last autumn and translate it into French.

From the UK market's point of view, the beauty of it all is that the collapse of the ERM would help UK corporate profits whatever the UK government did in response. The immediate result would be a fall in Continental interest rates, Germany presumably excepted. That would stimulate the Continental economies, thereby improving the prospects for UK exporters. This is something of a live topic: according to the CBI this week, exports to the Continent are proving so sticky that the whole UK recovery is at risk. Of course, if Clarke followed the CBI's other piece of advice and cut UK rates, so much the better. From the market's point of view, there is only one possible way the government could get it wrong: if an ERM collapse sent sterling through the roof and Clarke still refused to cut rates, in spite of the damage to exports. But he wouldn't be so silly. Would he?

Let us assume that the market is right, and that UK rates are due for another fall. That makes even more sense of Reuters' decision this week to give £350m back to shareholders. In fact, the money is to be used in buying back Reuters' own shares, rather than simply handed out as a one-off dividend payment. But as Reuters explained, that was simply a means of giving shareholders with a high tax rate the option of leaving their money where it is.

Implicitly, though, Reuters is saying that with interest rates where they are, spare cash is better returned to the owners than left to burn a hole in managers' pockets. Besides, the likely return through investing that cash in the business is likely to be lower in the stingy 1990s than it was in the free-wheeling 1980s. Other companies are in the same dilemma: in particular, drug groups like Glaxo and Wellcome, which have steep cash mountains and and a steadily worsening commercial outlook.

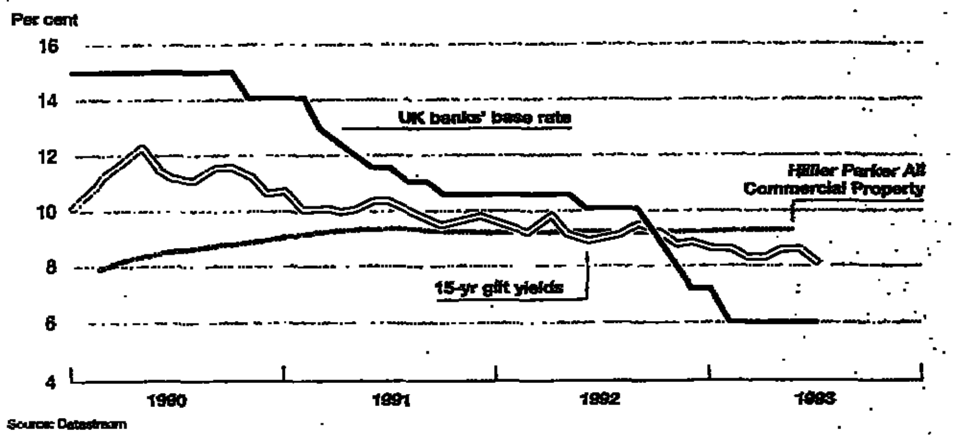
As it happened, their response to that outlook was also on display this week. Glaxo and Wellcome formed a grand triple alliance with the US drugs and consumer group Warner-Lambert, whereby they hand over to Warner-Lambert the job of selling any of their drugs which are converted from prescription medicines to consumer products. This is specifically in response to the efforts of Hillary Clinton and her counterparts around the globe to control their drug bills. When Glaxo's Zantac, the world's biggest-selling drug, is prescribed for ulcers, it is mostly paid for by governments. Come the day that it is sold as a patent medicine for indigestion and hangovers, it will be paid for by the sufferers themselves.

But the troubles of the drug industry are perhaps too grievous a topic to dwell on, as is the plight of those who bought Glaxo shares at the top of the market. Better to turn to a bit of light relief, from the somewhat surprising source of corporate Germany. This is the setting for quite the most diverting boardroom shocker to have surfaced in years: Volkswagen *versus* General Motors, or The Case of the Exiting Basque. This hinges, for those who missed earlier episodes, on the behaviour of the exotically named José Ignacio López de Arriortúa, an ex-GM top man who has seriously annoyed Detroit by defecting to Volkswagen and – GM says – taking secret documents with him.

The row over this has been bad-tempered from the outset. For connoisseurs of the Higher Childishness, however, this week's exchanges had classic status. Volkswagen's boss, Ferdinand Piëch, said GM had planted its secrets on VW as a means of getting at López. The whole thing, he implied, was a dirty American plot to do down German industry. Opel, GM's German subsidiary, rejoined that Piëch was not one to talk. As an Austrian, he does not even have a German passport. So there.

Almost unnoticed in the hubbub, GM announced on Thursday that it had swung from loss into profit in the second quarter, and its shares went up. But that, as the obsessed combatants would doubtless say, was only money as well.

The dwindling power of cash



Source: Datastream

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	2926.5	+96.8	2957.3	2737.6	Interest rate/currency pressures
FT-SE Mid 250 Index	3306.5	+103.6	3306.5	2876.3	Buying of recovery stocks
Argyll	319	+28	407	287	Food retailers rally
Cable & Wireless	811	+46	826	669	Hong Kong Telecom presentations
Guinness	458	+11	516	437	LVMH profits warning
ICI	668	+17	710	608	US buying on results
Lex Service	407	+17	412	281	Purchase of motor division
Merrydown	265	-19	300	253	Profits fall
Pearson	468	+32	484	354	Demerger plans
Peel Holdings	261	+12	262	138	Manchester Ship Canal deal
Redland	515	+38	521	402	Optimism over German interests
Severn Trent	502	+34	533	439	Yield attractions of utilities
Unigate	364	+22	375	300	Sale of vehicle subsidiary
Wellcome	687	+49	993	600	Deal with Warner-Lambert
Zeneca	634½	+21½	646½	593	Good results

Serious Money

The seductive view from the top

By Philip Coggan, personal finance editor

PRIVATE investors have an unfortunate tendency to buy shares at the top of the market. So news that unit trust sales are close to levels last attained during the third quarter of 1987 (just before the Crash) makes the cynical observer rather uneasy.

A survey from Save & Prosper illustrates the problem. S&P found that in June 1991, when the FT-SE 100 index was around 2,500, only 28 per cent of private investors surveyed thought that it was a good time to invest in stocks and shares. In June 1992, with Footsie at 2,700, the figure was 25 per cent. The same survey conducted this year, when the index was around 2,850, found that 54 per cent of investors believed it was a good time to buy stocks and shares.

You could argue that investors in June 1992 were fairly shrewd, in that the market fell sharply over the summer reaching its nadir, of around 2,280, just before sterling's devaluation. On the other hand, I wonder whether private investors would have felt confident about the prospects for shares on Black Wednesday, since when the market has rallied substantially.

Of course, it is inevitable that when share prices are low, investors will be depressed – their depression is what makes prices low in the first place.

And the flood of demand which occurs when private investors enter the share market in numbers helps indices to reach new peaks – look at the US, where interest rates of 3 per cent or so have caused individuals to swap deposits for shares.

Nevertheless, the shrewd investor will try to avoid the herd mentality. Just as, when UK interest rates were 15 per cent, it was tempting, but wrong, to hold all your money in cash and forget equities, it would now be foolish to have all your money in shares at a time, when the market, in terms of price-earnings ratios and dividend yields, looks expensive in historical terms. A balance of cash, gilts and shares is the answer.

■ ■ ■

Foreign & Colonial's latest investment trust is an unusual animal. For a start, it is the first split capital trust launched by F&C, which has traditionally been associated with the "keep it simple" school of trust management. Secondly, although the trust is investing in utilities, it is concentrating on a particularly recondite part of the sector – the former statutory water companies.

These groups are not the same as the privatised water companies such as Severn Trent. The "statutory companies" are responsible purely for water supply, not for sewage; many date back to the 19th century, and they were so named because, until recently, their profits and dividends were set by statute.

For many years they were a neglected corner of the stock market until the French water companies started to buy stakes in the late 1980s. Share prices shot ahead, and did so again when statutory controls were lifted – according to F&C, the dividend of the Chester company, set at 3p for many years, is now 225p per share.

One particular private investor, the Australian-based Duncan Saville, was clever enough to profit from all this and became one of the largest holders of water supply stocks. He approached F&C with the idea of swapping his holdings into investment trust shares – and the idea for the trust was born. Its name will be the Special Utilities Investment Trust, or SUIT for short.

Depending on how much the trust raises, between 44 and 80 per cent of the portfolio will be in water supply stocks. The remainder will be in other utilities such as electricity, gas or telecommunications.

F&C argues that the water supply companies are attractive investments. They supply water to nearly a quarter of the population, have lower capital expenditure plans, high cash generation and a good relationship with the regulator.

The income shares will be entitled to all the fund's income and the first 60p of assets, when the trust is wound up in 10 years' time. They will be offered at 60p each and will have an initial dividend yield of 7.75 per cent. If dividends grow at 5 per cent per year, the expected gross redemption yield will be 9.4 per cent.

The capital shares, sold at 40p each, will get no income but will get all the assets of the trust after the income shares have been repaid. If the assets grow at 5 per cent per year, the expected gross redemption yield will be 8.5 per cent. However, it is worth noting that if the trust's assets do not grow at all, investors will lose money. Saville will be taking capital shares for his holding.

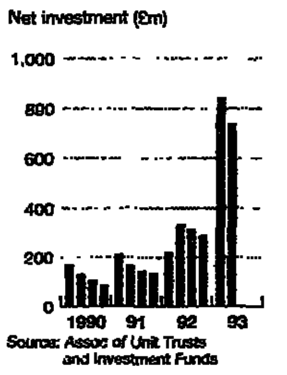
There will also be package units (at 100p) which can be converted into one income and one capital share at any time. The initial yield will be 4.7 per cent, and the minimum investment for package investors is £500. All the various shares are Pepable.

Potential investors should realise this is a highly specialised trust, the investments of which will be concentrated in a politically sensitive and (perverse though it sounds) illiquid sector. It is certainly not a fund for the first time investor, who would get a much better spread from F&C's flagship investment trust. But larger investors might find the income shares attractive as part of a wider income-seeking portfolio.

AT A GLANCE

Unit Trust Peps

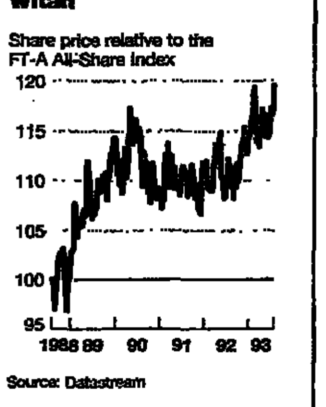
Net investment (£m)



Source: Assoc of Unit Trusts and Investment Funds

Witan

Share price relative to the FT-A All-Share index



Source: Datastream

Peps lead unit trust surge

UNIT trusts had a bumper second quarter, with net sales reaching nearly £2.5bn, higher than in any period since the third quarter of 1987. Private investors have returned to the sector, buying a net £1.98bn of trusts in the first half of 1993. Peps were particularly popular, with net sales of nearly £1.6bn in the first half. Total funds managed by the industry have reached a record £76.4bn.

Witan reduces in-house bias

Witan Investment Company, the investment trust managed by Henderson Touche Remnant, found an ingenious way of reducing the "in-house" bias of its investment policy this week. It raised a £56.25m bond, convertible into the shares of three other Henderson trusts (Electric and General, Greenfriar and Lowland). It also sold an 8.2 per cent stake in Henderson itself. Previously in-house investments formed more than £100m of Witan's £880m portfolio. According to Micropal, the trust was 12th (out of 19) in the international general sector over the five years to July 1 and 11th out of 19 over 10 years.

Three BES offers

THE Matrix Stock Market business expansion scheme, sponsored by Matrix Securities and aimed at providing student accommodation for Nottingham University, has a minimum exit price after five years of 75p for every 100p invested with a variable amount linked to the FT-SE 100 index. The scheme has an automatic lock-in at 60 per cent growth in the Footsie and again at 90 per cent.

Accumulus King's is an arranged exit cash-backed scheme offering 120p after five years per every 100p invested, equating to a 13.9 per cent annual return for a higher-rate taxpayer and 9.4 per cent for a lower rate taxpayer. The BES, sponsored by Terrace Hill Capital, will buy property from King's College, Cambridge to be let as assured tenancies.

Queen Mary and Westfield College Residences, sponsored by Downing Corporate Finance, has an arranged exit price of 127p per every 100p invested but has cash backing for only 25 per cent of the buyback obligation, according to BESt Investment. The minimum investment for all the schemes is £2,000.

A guide to gilts

National Savings has issued a pamphlet explaining how to buy gilts on the National Savings stock register. It explains the main factors to bear in mind when buying gilts, such as prices, interest rates and yields as well as the tax position and how to sell. The pamphlet is available at post offices.

Personal pension information

The Department of Social Security has produced a new leaflet on personal pensions which gives some of the basic information on this complex area. The leaflet "Thinking about a personal pension?" is available from Citizens Advice Bureaux or free by phone on 0345-825522.

Rally lifts smaller companies

Small company shares benefited from the market rally which saw the FT-SE 100 index surge above 2,900 this week. The Hoare Govett Smaller Companies Index (capital gains version) rose 1 per cent from 1,464.03 to 1,478.91 over the week to July 29.

Wall Street

Optimists read between the lines

INVESTORS THIS week got their clearest look yet at the state of the economy and corporate earnings, and seemed to like what they saw – which was surprising, because some of the numbers, at least superficially, were not encouraging.

The economic news consisted of the second quarter gross domestic product report, while the earnings results were released by a variety of large industrial companies, including International Business Machines, Ford, General Motors, RJR Nabisco, Minnesota Mining & Manufacturing, Du Pont, Allied Signal and Walt Disney.

The raft of data, of course, was entirely historical, covering a period between April and June. Generally, share prices are driven by expectations, so in some respects this week's figures were not especially helpful. Yet, a close eye is always kept on earnings and economic releases because they tell investors whether their past predictions (predictions that are priced into stocks) have been accurate.

Judging by their reactions this week – when the Dow set a new high and the important indices held steady or posted gains over the five days – investors believed that the data broadly met their expectations. That can certainly be said for the quarterly reporting season, which has passed so far with few surprises.

The same, however, cannot be said for recent economic news, particularly Thursday's gross domestic product report. The government estimates that GDP grew by 1.6 per cent in the latest quarter. It was an improvement on the first quarter growth rate of 0.7 per cent, but it remained disappointingly short of forecasts.

The weak growth surprised everyone, including those who really should know what is going on, such as Alan Greenspan, the Federal Reserve chairman. Last week, he confidently told Congress that the economy would grow by about 2.5 per cent in the second quarter. Wall Street economists were looking for a slightly slower rate of growth – around 2.2 per cent.

It was the second quarter in succession in which growth was well below forecasts. Yet over the last six months stocks have not paid the price of these unfulfilled expectations. Just the opposite, equities have kept edging higher. In normal times, bad news should force investors to drive prices lower until they reflected the new reality of market fundamentals.

There are various explanations for this seemingly irrational behaviour. First, investors and most of the professionals on Wall Street are incurable optimists. If they were not, they would not be in the market – pessimists do not buy stocks, they buy bonds.

Second, the economy may be struggling, but corporate earnings are improving, thanks to the measures taken by companies at the tail end of the last recession to cut costs, boost efficiency and improve profitability. Although some companies are coming to this process rather late – IBM's managers announced plans for thousands more redundancies and more plant closures this week – most have the bulk of the restructuring out of the way, and many are now reaping the rewards of their actions.

Third, even if the fundamentals are not great, there is enough money flowing into equities to keep prices afloat even in all but the most difficult of times. So long as interest rates remain low – and the current sluggish state of the economy should ensure they remain low for a while yet – investors will keep switching their funds out of low-yielding short-term assets into stocks.

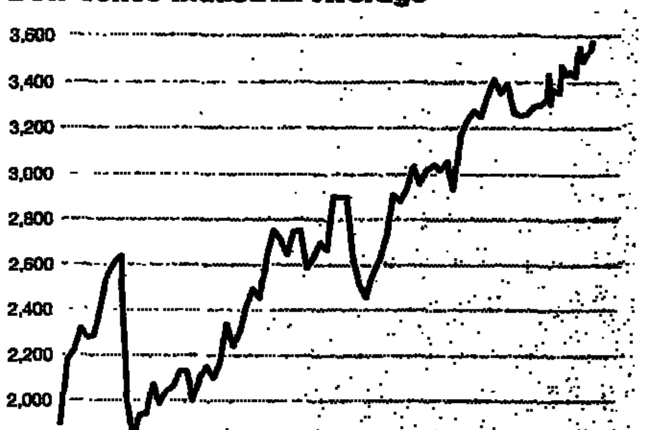
Finally, economic figures such as the GDP data are rarely what they seem at first glance. Take this latest release, for example. The disappointingly weak headline number masked some positive news, such as 3.8 per cent increase in consumer spending and the low implicit price deflator (a key inflation barometer). Even more encouraging was the role of inventories in the data.

The discrepancy between strong consumer spending and weak output was explained by inventories. They had grown so much in the first quarter, that during the second quarter manufacturers were able to keep up with the increase in consumer demand by running down their stockpiles of goods, rather than stepping up production. If inventories are excluded from the GDP numbers, growth in the second quarter would have been a handy 3.7 per cent.

It is this kind of thinking that is keeping stocks at their current high levels. If the underlying improvement in the economy is eventually reflected in the headline figures (and, crucially, the jobs numbers), and if companies can sustain the upward momentum in earnings, then the stock markets have a chance of not just breaking new ground, but building on it in the second half of this year.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3567.70	+	20.96
Tuesday	3565.46	–	2.24
Wednesday	3553.45	–	10.01
Thursday	3567.42	+	13.97
Friday			

The Bottom Line

A somewhat sickly sector

THE BEST way to make the chief executive of a drugs company laugh is to tell him his industry is immune from recession. Only 18 months ago he would have politely agreed.

Recessionary clouds have gathered over the drugs sector quickly. Analysts' attention has been concentrated on the US, the world's largest single market. American healthcare cost $768bn last year – equivalent to 14 per cent of GNP. The Clinton administration can no longer afford its portion of the bill. It is preparing reforms and the profitable pharmaceuticals industry is sitting in the cross-hair of its sights. The trigger is expected to pulled in September when the programme is announced.

At the same time, the US customer-base for medicines is changing rapidly. Large bulk-buyers of health are taking an ever-greater share of the market – up from 22 per cent of the non-hospital drugs market in 1987 to 35 per cent last year. Worse still, they are negotiating ever-greater discounts – up from 10 per cent in 1987 to 25 per cent in 1992, according to analysts at Lehman Brothers.

The US drugs market, long-used to double-digit growth, expanded at only 3 per cent during the first five months. The reaction of the financial markets has been brutal. Merck, the world's biggest pharmaceuticals company, has dropped 40 per cent since January 1992. Glaxo, Europe's largest drugs group, has fallen by a similar amount.

But while eyes have been watching the clouds on the western side of the Atlantic, they may have missed the storms brewing in Europe. Some US drugs analysts have viewed Europe as a side-show. But Europe is a bigger market than America. IMS International, the market research group, estimates drugs sales in European pharmacies during the first five months this year were $19bn, compared with $18bn in the US.

Europe, too, is being swept by healthcare reform. The reforms, though less dramatic, are nevertheless insidiously undermining results of both US and European groups.

The reforms have hit hardest in Germany, the world's third biggest single-country market after the US and Japan last year. IMS International estimates that during the first six months of 1992 the market was growing at about 10 per cent (Eastern Germany at 16 per cent and Western Germany at 9 per cent). During the first five months this year, it has collapsed 11 per cent.

Zeneca, ICI's former bioscience subsidiary, estimates its German sales for the first six months were down 18 per cent, while SmithKline Beecham, the Anglo-American healthcare group, believes its sales were down 9 per cent.

Meanwhile, Italian reforms are also having an impact. IMS estimates the market grew 10 per cent during the first six months last year. This year, during the first five months, it fell 1.8 per cent.

As a result, the European market, expanding at 10 per cent during the six months to June in 1992, registered growth of only 0.9 per cent during the first five months this year.

Worse is to come. Jan Leschly, SmithKline Beecham's head of pharmaceuticals and group chief executive designate, said: "I'm not optimistic about Germany and Italy for the full year. And there's no doubt that in France, the UK and Spain we will see cost-containment measures introduced in the near future."

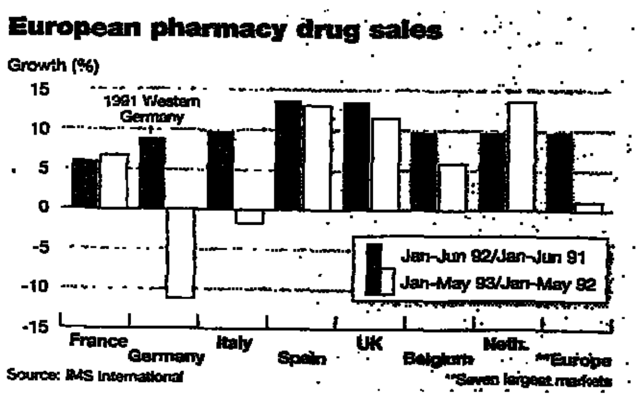
Given the poor outlook in the US and Europe, it may be too early to call the turn for drugs sector. Some companies are riding out the storm. Those armed with new, innovative products capable of generating volume growth, are prospering.

Take Roche of Switzerland, whose shares have risen from SFr3,001 in September 1990 to a peak of SFr8,650 this month. Astra, the Swedish company, has also held on well in spite of being hit by the German reforms. Its shares have risen from a low of SKr26 in 1989 to SKr142 this week.

The lesson is that although pharmaceuticals stocks used to be difficult to differentiate, they must now be picked with care. That may bring a smile back to the faces of some – but not all – pharmaceutical company chief executives.

Paul Abrahams

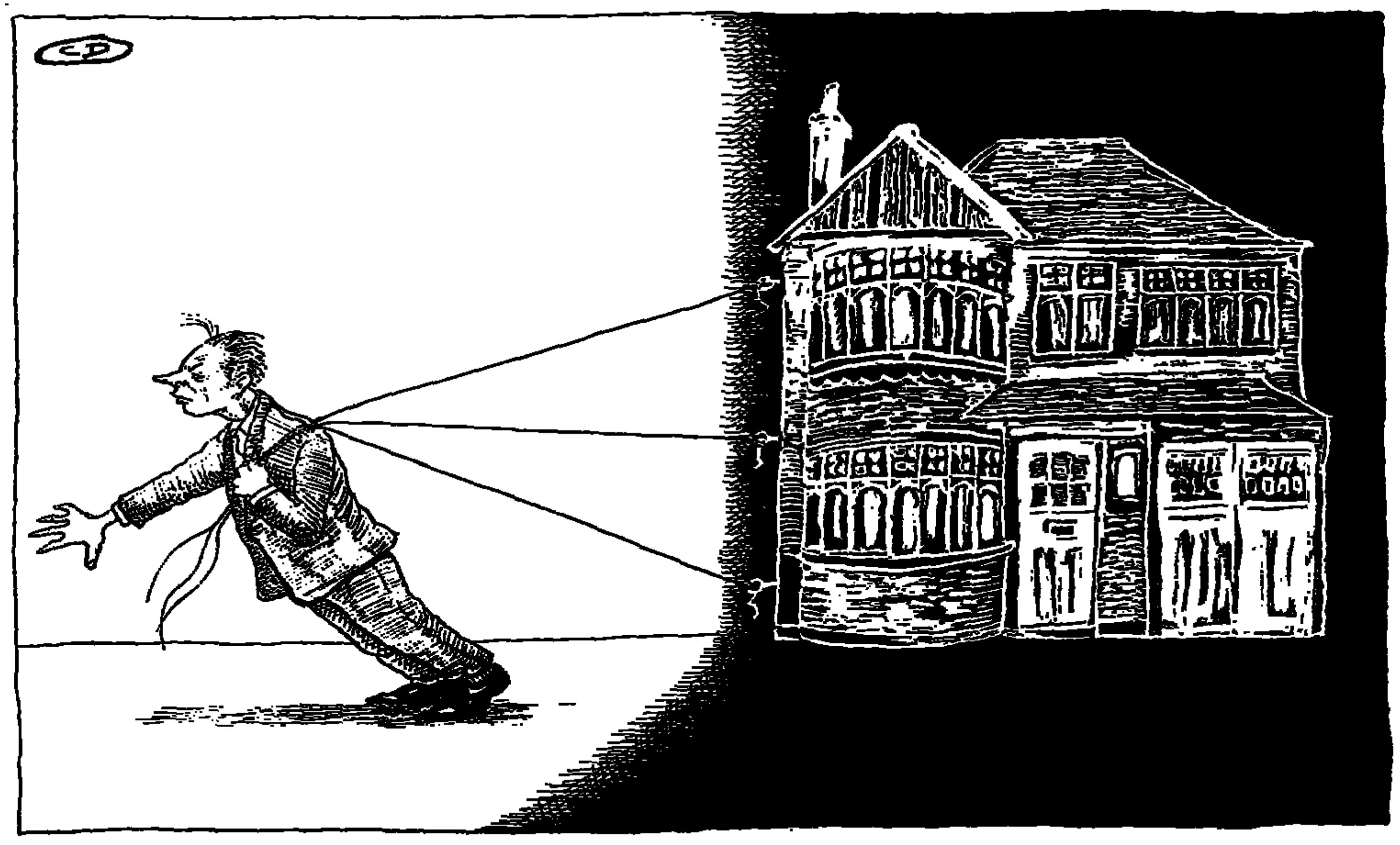
European pharmacy drug sales



Source: IMS International

When your house is worth less than the mortgage . . .

***Scheherazade Daneshkhu** looks at the problem of negative equity and suggests some ways to relieve the strain*



FEELING positive when you have negative equity is difficult although, for most people, the thought that their mortgage might exceed the value of their home turns into a problem only when they need to move.

Negative equity is largely a regional problem affecting areas where house price inflation was at its highest in the mid to late 1980s. "Nearly all the problem is south of the Midlands," says David Gilchrist, general manager of corporate development at the Halifax building society, the largest lender.

The problem is also confined, for the most part, to first-time buyers. According to the Woolwich building society, Britain's fourth-largest lender, 9 per cent of all British home-owners have negative equity and 70 per cent of those live in the south of England. But 75 per cent are first-timers.

The Woolwich found that the number of home-owners with negative equity had dropped from 1.8m in the year's first quarter to 1.45m in the second. This was due to a 3.2 per cent rise in house prices (recorded by the Halifax) between the first and second quarter. The Woolwich estimates the average amount of negative equity per household to have dropped from £7,200 in the first quarter to £6,600 in the second.

Sitting tight and waiting for house prices to rise is the easiest way out of negative equity. But what of those who bought a one-bedroom or studio flat and now have a family? Or others who have to move because of their job?

The costs of moving are substantial. Not only is there the negative equity debt – the other outgoings include estate agents' fees, surveys, stamp duty (on properties worth over £60,000), a deposit on the new home and, for loans of more than 75 per cent of the property's value, a mortgage indemnity premium. (This is a one-off insurance premium which protects the lender, not you, against a mortgage default.)

The options for coping with these problems are limited but, broadly, they are: beg, borrow or save.

■ *Talking to your lender*

Begging for help is perhaps an exaggerated way of describing the first step, which is to talk to your bank or building society about the matter. Lenders have adopted a policy of "forbearance" to reduce the level of repossessions (see below) and have extended this – although on a limited basis – to those with negative equity.

You are most likely to get co-operation if your move also benefits the lender. If you live in London but have a job offer in Birmingham, it is in the interests of the lender to help you move to ensure that you will be able to keep up payments. But lenders usually will help their negative equity customers only if they have a strong payments record.

A few lenders have packaged schemes but most work on a case-by-case basis. Although the Halifax has eschewed packages because it says each person's circumstances differ, it is running a pilot study on such a plan although warning that it cannot be promoted as a solution to negative equity problems.

■ Transferring the negative equity

The Halifax prefers to deal with negative equity by letting the person move and then transferring the shortfall on the old loan to the new property by granting a mortgage of more than 100 per cent on the new one. The maximum it will loan is 125 per cent of the value of the latter.

If your existing mortgage was £100,000 and the cost of the new property also was £100,000, you would be able to buy it if your negative equity was not more than £25,000. But your new total debt of £125,000 must not exceed three times the level of your income. The mortgage indemnity premium in this example would be £1,750.

The Halifax will not give additional help (although the mortgage indemnity premium could be deducted from the loan) and expects people to have built up savings for moving expenses.

The Royal Bank of Scotland follows a similar policy by granting loans up to 125 per cent on a new house, to a maximum £200,000. The new mortgage, however, is granted at half a percentage point over the bank's standard variable rate, now 7.99 per cent. Instead of a mortgage indemnity premium, the RBS will charge an arrangement fee of 1 per cent of the loan, to a maximum of £1,000.

Under the Woolwich's Mobility Mortgage, an effective trade-down would be necessary because the price of the new property would have to match (or be less than) the sale price of the existing home. The negative equity would be added to the new loan, bringing the home-owner up to the same level of borrowing as before.

■ Top-up loans

The Leeds and Nationwide societies will grant 100 per cent mortgages on the new property with a top-up loan where necessary. The maximum limit on the top-up loan is £25,000 at Nationwide, charged at 15 per cent APR if the loan is unsecured and 12 per cent APR if it is secured on another property. Under the Leeds' scheme, the total debt cannot exceed 125 per cent of the purchase price of the new property, and the 25 per cent loan would be charged at the society's standard variable rate.

■ Substituting equity

The Leeds, Woolwich, Nationwide and Yorkshire societies will allow borrowers to use their parents' home (or that of anyone else willing to sign the documents) as security for a larger loan. The details of the schemes differ but the cheapest way is for two mortgages to be taken out, one on your new home and one on that of your parents. You could avoid paying the mortgage indemnity premium by borrowing up to 75 per cent of the value of new home, with the parental mortgage making up the shortfall.

■ 100 per cent mortgage

Those with enough savings to pay off their negative equity, and who can afford moving expenses but not the deposit on a new home, can consider a 100 per cent mortgage. This market was virtually dead until recently, but some lenders have ventured in again. Take care to get a quotation for the full final cost of the mortgage (including arrangement and other fees) before taking it out.

The Abbey National will consider 100 per cent mortgages for its own customers, while mortgage-broker John Charcol and the Household Mortgage Corporation will consider applicants meeting their criteria as long as they are second-time buyers. The Royal Bank of Scotland will also grant 100 per cent mortgages, but only to first-time buyers.

The 100 per cent loan can be taken out in various forms at John Charcol. You can get the full 100 per cent or, to avoid the indemnity premium, a 75 per cent mortgage with a loan covering the other 25 per cent (although the interest on this proportion would be at a higher variable rate of 10.5 per cent). Fixed rates are available for the mortgage portion.

The HMC also offers fixed and variable rates (its standard variable rate is 7.69 per cent). Indemnity premiums are on the high side; for a loan of £100,000, the charge would be £2,500. This can be added to the mortgage if that is up to 95 per cent of the value of the home, but will be subtracted otherwise.

Repossessions are falling but remain high

AT ITS MOST extreme, negative equity can lead to repossession. Previously, an option for those falling far behind with their mortgage payments was to sell the house, pay off the loan and rent. But the downturn in the housing market has, for the time being, blocked off this option.

The main factor contributing to repossession has been losing a job because of the recession. Relationship breakdowns and financial mismanagement are the other reasons cited by the Council of Mortgage Lenders for home-owners stopping payments and, in the most serious cases, being repossessed.

The number of houses taken back by lenders is dropping but remains high. The CML said the figure for the first half of the year was 31,780, an 11 per cent fall on the same period last year when the figure was 35,750. Total repossessions last year were 68,540, down from the 1991 peak of 75,540.

Lenders have been following a policy of "forbearance" by counselling those who fall into arrears and, in the main, refraining from taking possession unless payments dry up completely. Adrian Coles, director-general of the CML, said the situation had been helped also by the reduction in interest rates and the government's decision to pay income support for mortgage interest directly to lenders.

Mike Smith, of the Northern Rock, said that repossession had been voluntary in 50 per of his society's cases, with home-owners simply returning their keys. The industry average was 35 per cent, said Coles.

The number of households with arrears of 12 months or more increased, however, from 147,040 in the second half of 1992 to 158,000 in the first half of this year. Altogether, just under 350,000 households have arrears of six months or more.

Fears that "forbearance" might cease once the housing market picks up, with lenders repossessing properties to sell in a rising market, are denied vehemently. "There is a long, hard slog ahead in managing long-term arrears," said Coles. "If people have a chance of recovering the situation, lenders won't take possession."

FINANCE AND THE FAMILY

Another blow for endowments?

Norma Cohen examines the implications of insurance tax changes proposed by the EC

BRITAIN is re-examining some of the ways long-term insurance contracts are taxed – with some vexing implications for policyholders. The catalyst for the review is the European Commission which, in its voluminous Third Directive on Life Insurance, tries to set a level playing field in the way policies are taxed throughout the community.

The Treasury has held discussions with the Association of British Insurers, the trade body, about possible tax changes – a move that has unnerved members of the industry, particularly those which sell long-term endowment policies. It is preparing to air some proposals this October and make final judgements by the year-end.

The EC directive seeks to scrap the so-called "qualifying" policy which exempts higher-rate taxpayers from having to pay tax on the difference between premium payments and final maturity value. Only policies longer than 10 years fall into this category, and only those in which the sum assured is at least 75 per cent of premiums paid. Thus, it is long-term endowments, a product already losing favour with the public, which would be most affected by the tax change. "Life is getting more difficult for that sort of product, anyway," says Mike Wadsworth, a partner at consulting actuary R. Watson and Co.

The change would add to the difficulties in selling such products, however, because it would create greater uncertainty in predicting the final cash proceeds to policyholders upon maturity. Guessing the individual's tax status some 25 years into the future is almost impossible, and policyholders who wished to use such policies to pay off mortgages would face even more uncertainty about how much they would have to pay every month in order to meet their final liability.

More broadly, though, the matter under discussion at the Treasury is whether to scrap the present system under which life insurance investment returns are taxed as they are earned but the final proceeds of any policy are not. In most of Europe, life insurers earn investment returns gross of tax, meaning they can actually show higher returns each year in some instances. "I'd get better value from a French policy because, in France, I'd get tax-free roll-up," said Nigel Silby, a partner at Watson specialising in insurance taxation. "In some of these European countries, they actually tax them quite lightly at maturity. In France, there is almost no tax if you hold your policy for 15 years."

Of course, as Silby notes, investment returns on long-term UK policies tend to greatly outperform those of their European counterparts because of the emphasis on higher-yielding equities. Continentals prefer bonds, in short.

But a shift could encourage British companies to set up European offshoots which then sell their products back into Britain. J. Rothschild Assurance has taken such a step already with its new, Dublin-based operation.

Watson points out that should the Treasury decide to require higher-rate taxpayers to pay tax on final maturity values, it probably would offer simultaneously a tax credit for duties incurred on investment gains over the life of the policy. Failure to do so would amount to double taxation of investment returns.

The Treasury has a dilemma, though. If it wants to move into line with other European states and abandon year-by-year taxation of investment returns in favour of taxation upon final maturity, it will have to face up to a further loss in revenue. And with a £50bn public sector borrowing requirement for the present year, that option is unpalatable.

Easier to complain

Norma Cohen reports on a new watchdog for the financial services industry

UNHAPPY life insurance and pensions policyholders should have an easier time pressing their complaints under procedures to be adopted by a new self-regulatory body proposed for the financial services industry.

So far, the Personal Investments Authority exists only in name. But one of the chief reasons for its birth has been the absence of coherent methods to handle grievances.

For those seeking more than just an apology or modest redress, the present system works poorly. Lord Ackner, in his just-published report on it, noted that each of the three self-regulatory bodies for the industry – Fimbra, Lautro and Imro – has different rules for handling complaints and varying abilities to award compensation.

The future of the PIA is still unknown. But if it is established, the ambiguities in the present mechanism should disappear.

First, all companies will be required to resolve a customer's complaint – albeit not necessarily to his satisfaction – within six weeks. Those who remain unsatisfied will be able to approach an independent conciliation service, unconnected with the PIA, to have it resolved.

Ackner rejected specifically the suggestion that the PIA itself act as conciliator. If it did, it would risk being viewed as a captive of the industry. This is a suggestion which the new body wishes assiduously to avoid.

The conciliator is intended to be a professional organisation, with skilled individuals experienced in handling complaints and resolving them. But before a complaint even lands there, the PIA will review the paperwork.

It is possible that the PIA will urge a company against which a complaint has been laid to take a different approach. Or it might ask a complainant to visit the PIA to discuss some detail which might have been misunderstood or even overlooked entirely.

Once a case comes before the concilator, the judgment will consider not only the contractual wording of the policy and the legal obligations on the seller but also what is "best practice."

This means that a company which did not violate any rules technically, but which broke the spirit of the rules in selling or maintaining a policy, could be required to make reparations to a customer.

This issue was a sore point for some in the industry who had opposed it on the ground that they were, effectively, providing investors with a free service as an alternative to having to resort to the courts.

Why, they argued, should they pay for a service which offered the possibility of a solution better than what might have been achieved in the courts?

Ackner rejected such arguments, more or less on the ground that the industry held the upper hand because of access to greater resources and expertise. The new system is intended to redress that imbalance.

The conciliator will have the power to award restitution of up to £50,000, but those clients who are dissatisfied with any ruling will still have leave to bring their case to the courts.

Investors should breathe a sigh of relief that some of the suggestions put forward by parts of the industry have been rejected. Most potentially damaging of these was the Life Insurance Association's proposal that any complainant whose case did not stand up to scrutiny would be required to bear the costs of bringing the complaint.

A rule like that would, in effect, have killed off all but complaints of the most blatant instances of contract-breaching – hardly a reassuring environment for investors.

Ackner ... rejected arguments

News in brief

SCOTTISH Equitable is launching a product which combines investments in its cash and worldwide tactical unit trusts. The idea is that 30 per cent of the sum is invested in the cash trust; monthly withdrawals are then made to generate income which (since it represents return of capital) is tax-free.

The remaining 70 per cent is invested in the world-wide tactical unit trust, with the aim of producing enough growth to more than recoup the income withdrawals. Worldwide Tactical Trust was 15th (out of 115) funds in the international equity growth sector over the five years to July 1, with a return of 83.8 per cent.

There is no guarantee that the original capital will be returned. The income taken can be up to 6 per cent of the total invested but, of course, the higher the income level, the greater the risk to capital. The product has a five-year term but there are no penalties for early withdrawals.

Charges on the investment are 5.25 per cent initial and 1 per cent annual on the worldwide tactical trust; 0 per cent initial and 0.5 per cent annual on the cash trust. The minimum investment is £10,000.

* * *

JOHN GOVETT Unit Management has formed a Greater China fund by reconstructing its Pacific Income fund. The new unit trust aims to achieve capital growth through investing in companies with exposure to the rapidly growing Chinese economy, principally through Hong Kong, Taiwan and South Korea.

Managers will be looking for companies which have 10 per cent or more of their sales, profits or assets located in China. In the case of South Korea, which has only recently re-established diplomatic relations with China, they will also pick companies with strong prospects of moving into the Chinese market.

Initially, the fund is not planning to buy any of the mainland Chinese "B" stocks available to foreign investors. Instead, the heaviest initial weightings are likely to be in South Korea, with about 40 per cent of the fund, Hong Kong, with 25 per cent, and Taiwan, with 15 per cent.

Eventually, a proportion of the fund might be invested in the "B" shares, with other investments elsewhere in Asia and the Pacific rim in companies with substantial interests in China.

The initial charge on the fund is 5.75 per cent, and the annual is 1.5 per cent. The minimum investment is £1,000, or £50 a month.

* * *

LAURENTIAN Financial has launched a critical illness policy called the Lifestyle Security plan. The policy uses definitions for the main critical illnesses – heart attack, cancer, stroke, kidney failure, major organ transplant and coronary bypass surgery – drawn up recently by independent financial advisers as a basis for industry standards. It will also include benign brain tumours, paralysis, terminal illness, motor neurone disease and multiple sclerosis.

Laurentian's definition of total permanent disability is based on inability to perform "activities of daily living" such as eating and dressing unaided, rather than the inability to work, which is the basis for most companies' definitions. This could mean that the cover is not as comprehensive in certain circumstances, and makes it more difficult to compare with other policies.

The policy can be taken out by anyone between 18 and 70, and premiums start at £12.50 a month.

Offshore bond funds

THE TABLE lists the 10 best-performing offshore sterling-denominated fixed interest funds with a three-year record. The funds shown are recognised by the SIB, the chief regulator for the financial services industry. Note that the funds are quoted on an offer-to-offer basis – which enhances their apparent performance. Offer-to-bid figures cannot be used because some funds have a single price but add a charge.

Highest-performing 10 offshore bond funds

Fund	Size (£m)	Yield (%)	Perf*
Barclays Sterling Bond	255.0	8.8	59.7
TSB Gilt & Fixed Int	1.2	7.5	57.9
Lloydstrust Gilt Fund	491.2	7.4	57.0
Guinness Flt £ Hi Yld	3.0	8.0	56.9
Hill Samuel Stg Fixed	32.4	7.4	56.8
Govett GSI UK High Inc	17.9	8.7	56.3
Sun Life Secure Hi Inc	8.5	7.4	55.7
TSB Gilt	144.3	7.6	55.4
Henderson Horizon Fix	6.6	7.4	53.0
CMI UK Bond	15.6	7.4	52.9

*Source: Finstat. ‡ As of July 1. * Offer-to-offer with net income reinvested over three years to July 1. Funds without three year record are excluded.*

The Week Ahead

ON THURSDAY both Royal Dutch/Shell and British Petroleum report their second quarter results. Shell is expected to show a healthy rise in current cost net income from £516m to about £760m. Results will have benefited from a weaker pound, stronger natural gas prices in the US, cost-cutting and solid performances from non-OECD countries. The biggest question now hangs over the dividend payment, which will not be announced until September 18.

This time last year BP announced a dividend cut and £835m of post tax exceptional restructuring provisions. For the latest quarter analysts are looking for replacement cost net income of £240m with a dividend of 2.1p.

Abbey National is expected to show pre-tax profits of around £315m after bad debt provisions of some £160m when it reports its interim results on Monday. It is expected to be hit by provisions on French operations, but show strong mortgage lending in the first half.

On Tuesday National Westminster is expected to show profits in the range of £280m to £350m with a strong performance anticipated from treasury and capital markets. The bank is likely to cover its interim dividend for the first time since 1989.

Midland, whose parent bank HSBC Holdings reports on August 31, is expected to contribute pre-tax profits of around £200m on Wednesday, while Barclays is expected to show recovery from losses last year to pre-tax profit of between £120m and £170m.

The interims from Reed Elsevier, the international publishing and information group on Thursday are the first combined results since the merger of Reed International and the Dutch publishers Elsevier took effect at the beginning of the year. That and a change of year end has made analysts wary of forecasts but James Capel is looking for combined pre-tax profits of £287m compared with £247m last year.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Devenish J.A. ‡	375½§§	371	282	202.15	Greenalls
Harrison Inds.§	5½	5	5	5.90	Strategem
Securiguard ‡	270*	339	185	59.20	Rentokil
The Man Ship Can	33.5*‡‡	27¾‡‡	21½‡‡	26.80 †	Peel Hldgs
Watts Blake	420*§	440	391	87.33	Sibelco

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 30/7/93. §§Shares and cash. †Value of bid based on remaining 20% of shares . ‡‡ Price in Pounds

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aitken-Hume Intl.	OtFn	Mar	2,680	(2,910)	1.04	(2.12)	1.0	(0.5)
Arlen	Elec	Mar	718	(864 L)	1.1	(-)	-	(-)
Banks (Sydney C)	FdMa	Apr	2,870	(2,290)	22.5	(19.9)	9.0	(8.25)
Black Arrow	Misc	Mar	2,030	(1,340)	5.02	(3.79)	2.6	(2.1)
Campbell & Armstrong	C&C	Mar	3,940 L	(823 L)	-	(-)	-	(-)
Clayhithe	Eng	Mar	366 L	(963 L)	-	(-)	2.5	(2.5)
Cook (DC)	Mtrs	Apr	550	(121)	2.02	(1.11)	0.6	(0.5)
CRT Group	BuSr	Apr	3,300	(8,180)	4.2	(6.3)	2.8	(2.4)
Dale Electric	Elec	May	2,260	(1,600)	13.24	(8.74)	5.1	(5.1)
Dudley Jenkins	Misc	Apr	779	(466)	4.53	(3.86)	3.1	(4.0)
Dyson (J&J)	Eng	Mar	1,050	(1,130)	5.76	(8.54)	5.0	(5.0)
Excalibur	Misc	Apr	6,200 L	(20)	-	(-)	0.5	(1.0)
Firth (GM)	M&MF	Mar	5,960 L	(4,860 L)	-	(-)	-	(-)
Goode Durrant	Cong	Apr	15,400 L	(1,480 L)	-	(-)	5.4	(5.4)
Grosvenor Inns	B&D	May	764	(319)	7.4	(2.8)	4.25	(-)
Independent Inv	InTr	Jun	1,380	(793)	0.98	(0.63)	0.6	(0.5)
Jersey Phoenix Tst	InTr	Jun	820‡	(799‡)	5.4	(6.3)	5.25	(5.25)
Linx Printing	Elec	Jun	1,430	(1,640)	7.1	(8.4)	2.08	(-)
London Merchant Sec.	Prop	Mar	25,600	(24,000)	6.30	(6.54)	4.0	(3.8)
Mernier-Swain	Elec	Apr	7,620	(5,930)	34.1	(28.1)	11.0	(9.0)
Merrydown	B&D	Mar	1,710	(1,930)	13.03	(15.24)	7.0	(6.2)
Misys	Elec	May	15,100	(9,100)	27.4	(17.8)	7.01	(6.1)
MITIE Group	BuSr	Mar	2,400	(1,810)	13.3	(11.8)	3.5	(2.75)
Murray Smaller Mkts	InTr	May	3,930	(3,600)	4.55	(4.62)	4.2	(4.0)
Ransom (William)	H&H	Mar	617	(677)	3.49	(3.04)	1.90	(1.77)
Saville (Gordon J)	M&MF	Apr	2,350	(3,460)	1.4	(2.9)	2.2	(2.2)
Smith (D)	PP&P	May	27,100	(15,400)	22.0	(11.5)	10.0	(9.5)
Southend Property	Prop	Mar	1,150	(3,710)	0.1	(2.6)	4.25	(4.18)
Stagecoach Hldgs	Tran	Apr	13,000	(8,240)	8.3	(8.0)	-	(-)
TR Smaller Co's	InTr	May	10,200	(8,510)	4.31	(3.49)	3.8	(3.7)
Unitech	Elec	May	10,500	(14,000)	7.3	(13.2)	6.1	(5.65)
Waverley Mining	Mine	Mar	63 L	(195 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abbey Panels Inv.	Mtrs	Mar	893 L	(1,160 L)	-	(-)
AB Consulting	Misc	Apr	1,150 L	(41)	1.0	(4.3)
Allied Radio	Med	Mar	1,170 L	(585 L)	-	(-)
Allied Textile	Tex	Mar	5,320	(5,210)	4.6	(4.5)
Baring Tribune	InTr	Jun	1,790‡	(1,850‡)	1.7	(1.7)
B.A.T. Industries	Misc	Jun	906,000	(672,000)	7.9	(7.3)
Beckenham Group	Misc	Apr	186 L	(771 L)	-	(-)
British Telecom	TeNt	Jun	757,000⁂	(596,000⁂)	7.9	(5.6)
Cadbury (S Africa)	FdMa	Jun	25,700	(19,500)	18.0	(15.0)
Capita Group	BuSr	Jun	2,040	(1,770)	0.85	(0.7)
Citizens Financial	Bank	Jun	7,200‡	(6,200‡)	-	(-)
Continental Assets	InTr	Jun	874	(431)	-	(-)
Corporate Services	BuSr	Jun	32	(466 L)	-	(-)
CRP Leisure	C&C	Apr	117 L	(786 L)	-	(-)
Derby Trust	InTr	Jun	983	(1,330)	6.23	(6.23)
EFM Java Tst	InTr	Jun	6	(12 L)	-	(-)
Fairway Group	Misc	Jun	1,070	(858)	1.1	(1.0)
Freeman Group	BdMa	Jun	357	(558)	2.0	(2.0)
Greggs	FdRt	Jun	2,880	(2,290)	5.0	(5.0)
Grosvenor Dev Cap	InTr	Jun	154 L†	(21)	-	(-)
Harrisons & Crosfld.	Cong	Jun	48,400	(40,600)	3.6	(3.6)
Hotspur Investments	InTr	Jun	26‡‡	(22‡‡)	-	(-)
ICI	Chem	Jun	364,000	(420,000)	10.5	(10.5)
Inveresk	PP&P	Jun	4,530	(3,120)	-	(-)
Investors Capital	InTr	Jun	-	(-)	1.2754	(1.2754)
Lex Service	Mtrs	Jun	21,200	(16,600)	4.7	(4.0)
Lloyds Abbey Life	InLf	Jun	152,500	(142,000)	6.3	(6.3)
LWT Holdings	Med	Jun	18,500	(13,700)	-	(-)
Motor World	Mtrs	May	1,460	(856)	2.3	(-)
Nth of Eng Bldg Soc	n/a	Jun	7,850	(7,840)	-	(-)
Reuters Hldgs	Med	Jun	214,700	(187,400)	6.2	(5.3)
RPS Group	Prop	Jun	386	(355)	1.1	(1.0)
Shandwick	Med	Apr	1,738	(1,540)	-	(-)
Smaller Co's Inv	InTr	Jun	-	(-)	1.2	(1.2)
Specialeyes	H&H	May	333 L	(698 L)	-	(-)
Sphere Inv.Tst.	InTr	Jun	4,030	(2,720)	1.5	(1.5)
St Modwen Props	Prop	May	1,100	(1,040)	0.3	(-)
Temple Bar Inv	InTr	Jun	4,890	(5,660)	4.8	(4.5)
Union Discount	OtFn	Jun	11,300	(14,800 L)	-	(-)
Updown Investment	InTr	Jun	272⁂	(297⁂)		
Zeneca	H&H	Jun	367,000	(261,000)	10.5	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. # = Third quarterly dividend. † = Attributable profit. ‡ = Available revenue. ⁂ = Net income. ✪ = Third quarter figures quoted in US dollars. ⁂ = Net profits. ⁂ = First quarter. ‡‡ = net revenue

RIGHTS ISSUES

Arlen is to raise £8.7m via a 1-for-1 rights issue at 21p.
Villiers Group is to raise £5.04m via a 1-for-1 rights issue at 10½p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Clayform Properties is to raise £27.1m via a placing and open offer.
Ex-Lands is to raise £15m via a placing and open offer.
Flying Flowers is to be floated via a placing of 6.29m shares at 65p.
Glencar Exploration is to raise funds via a placing of 5m shares at 9p.
Tamaris is to raise £1.28m via a placing and open offer of 78.9m shares at 2p.

RESULTS DUE

Company	Sector	Anncmnt due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Abbey	C&C	Thursday	-	1.0	-
Ashtead Group	C&C	Monday	1.1	3.025	1.133
Beales Hunter	Elec	Wednesday	2.3	8.95	2.45
Crown Eyeglass	H&H	Friday	2.0	4.0	2.5
McKay Securities	Prop	Wednesday	3.2	3.5	-
Prior	Prop	Wednesday	-	-	-
Williamson Tea Holdings	FdMa	Wednesday	10.0	10.0	10.0
INTERIM DIVIDENDS					
Abbey National	Bank	Monday	3.8	7.7	-
Anglo & Overseas Tst	InTr	Thursday	1.78	5.1	-
Barclays	Bank	Thursday	6.0	-	-
BBA Group	Mtrs	Monday	2.25	5.25	-
BP	O&G	Thursday	4.2	2.1	2.1
British Alcan Aluminium	Misc	Thursday	-	-	-
Chieftain Group	BdMa	Wednesday	2.1	3.0	-
Cowie (T)	Mtrs	Thursday	2.0	4.25	-
CU Environmental Trust	InTr	Tuesday	-	0.80	-
GKN	Mtrs	Wednesday	8.0	12.5	-
Glynwed Int'l	M&MF	Wednesday	4.15	7.5	-
Green Property	Prop	Tuesday	1.2	2.6	-
Inv Tst of Guernsey	OtFn	Friday	0.84	1.58	-
Jacobs (John I)	Tran	Thursday	0.5	-	-
Kleinwort Benson	MeBk	Thursday	5.3	10.7	-
Law Debenture	InTr	Tuesday	6.25	12.0	-
Malvern UK Index	InTr	Wednesday	1.7	2.07	-
Midland Bank	Bank	Wednesday	1.7	1.7	-
National Westminster Bank	Bank	Tuesday	6.12	11.37	-
Newmarket Venture Capital	InTr	Friday	-	-	-
Pacer Systems	Elec	Tuesday‡	3.0	3.6	-
Porth Group	Misc	Friday	-	-	-
Reed Int'l	Med	Thursday	7.25	-	-
Rotork	Eng	Thursday	4.65	6.5	-
Shell T&T/Royal Dutch	O&G	Thursday	9.3	12.8	-
Skipton Building Society	n/a	Tuesday	[illegible]	[illegible]	-
TI Group	Mtrs	Thursday	3.7	7.6	-
TR Pacific Invest	InTr	Thursday	-	-	-
Transport Development Group	Tran	Thursday	3.0	6.5	-
United Breweries	B&D	Thursday	[illegible]	[illegible]	-
Yorkshire Chemicals	Chem	Tuesday	[illegible]	[illegible]	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ‡ = 1st quarter figures. ✠ = Figures quoted in US cents. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

FINANCE AND THE FAMILY

Leaseholders get the go-ahead

Now, they are free to enfranchise – but the problems are just starting, warns ***Bethan Hutton***

FLAT owners with dwindling and unmortgageable leases can look forward to better times come November when a new law will entitle them to extend their leases at market rates. But leaseholders of flats in badly-managed blocks, whose situation was also supposed to be eased by the new law, may find it is not the answer to their problems.

After a difficult passage through the Commons and the Lords, the Leasehold Reform, Housing and Urban Development Act received royal assent this month. It is due to come into force on November 1.

It is immensely complicated but gives flat leaseholders two basic rights: to extend their leases or, if the block of flats and a proportion of its residents meet certain criteria, to enfranchise – club together and buy the freehold. This gives them the power to manage their own block and extend their own leases as they see fit.

Some of the main conditions for enfranchisement are:

■ At least two-thirds of the flats must be let on long leases (more than 21 years at the time leases were granted).

■ At least 90 per cent of the floor space of a block must be residential.

■ At least half the flats where owners wish to enfranchise must have been the principal residence of their leaseholder for the previous 12 months, or for at least three of the previous 10 years.

■ The ground rent (not maintenance charge) must be low, which is defined as less than two-thirds of the rateable value, or, if the lease was granted after April 1 1990, not more than £1,000.

■ Two-thirds of qualifying leaseholders must agree to enfranchise.

■ If a block is converted, or has fewer than four flats, the landlord must not be resident.

Some of the conditions sound unobjectionable, but they will stop large numbers of leaseholders from enfranchising. The condition that a maximum of 10 per cent of a block's floor space can be non-residential will rule out most of the 20th century suburban blocks built over rows of shops.

An unknown number of flats will fail the low rent test, particularly as some landlords have set the ground rent deliberately at a pound or two over two-thirds of the rateable value.

The residency test might stymie the hopes of leaseholders in many central London blocks where a large proportion of the flats is owned by companies or the properties have been bought as a pied-a-terre by foreigners or people living in the country. Flats on the south coast and other popular holiday resorts may have similar problems if more than a few in a block are used as holiday homes.

Some blocks with severe management problems – excessive maintenance charges and negligent landlords – may find that they are ineligible for enfranchisement because the nature of the block or the people living in it makes it subject to one of the exclusions. Individual residents would still be able to extend their leases in this situation, but they would not gain any rights over managing the block.

Even if a block and its residents pass the eligibility test, they must then decide if it is actually worth their while to enfranchise or extend their leases.

Owners of leases on high-value houses (also eligible for enfranchisement under the new law) stand to gain the most. Surveyors estimate that owners of some leasehold houses in central London could make £250,000 from enfranchising their properties.

Holders of flat leases with only 20 or 30 years left have little to lose and much to gain from extending them; their properties would then become saleable and mortgageable. But anyone with a lease of 80 or 90 years on a flat in a well-managed block could find that the amount of time and money absorbed by the enfranchisement process would outweigh any gains. One problem is that the costs involved in enfranchisement can only be guessed at until the first test cases have gone through.

The amount leaseholders will have to pay for the freehold is based on a calculation of the market value of the freehold of the block, plus the "marriage value" – how much more the leasehold and freehold are worth together than as separate items.

The law states that leaseholders must pay the landlord *at least* 50 per cent of the marriage value. Many landlords are expected to hold out for more than 50 per cent, possibly as much as 75 per cent.

Many leaseholders will need to get a loan to buy their share of the freehold. Arranging lots of small loans for residents of a large block could be complicated and time-consuming, but the Council of Mortgage Lenders is considering lending directly to companies formed by residents to buy the freehold, which could simplify the process.

The other unknown cost factor is fees for professional advice. Leaseholders are liable not only for their own legal costs and surveyors' fees but also those of their landlord. The law states that these must be "reasonable," but it will not be possible to define that until the ground has been tested.

Also, if a freeholder is unwilling to sell, it will be possible for him to prolong the process – forcing the case first to a local leasehold valuation tribunal, followed by the Lands Tribunal and then conceivably to the High Court, pushing up fees all round.

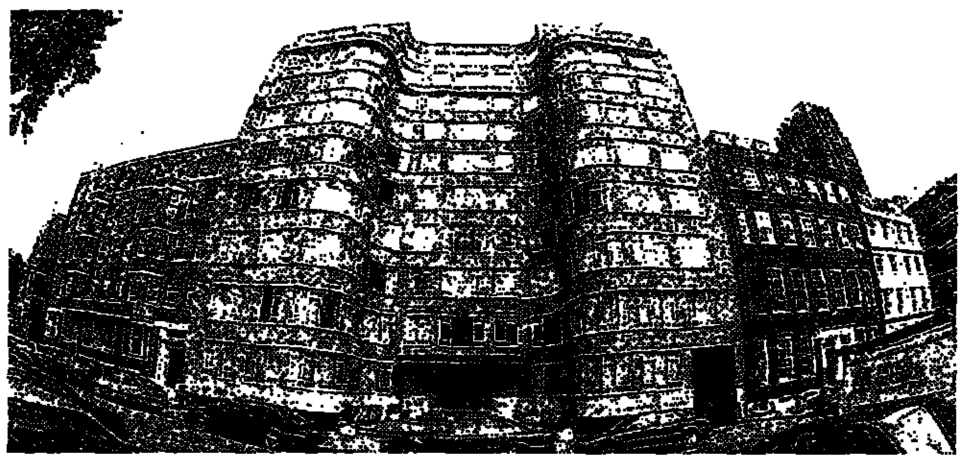
If you and your fellow-leaseholders decide to go ahead, the first thing to do is serve a discovery notice on your immediate landlord (who might not be the freeholder) asking for the name and address of the freeholder and details of other interests in the property.

The next step is to create a company to act as the purchaser, and to serve a tenants' purchase notice on the landlord and the freeholder, giving details such as the proposed price.

The freeholder will respond with a counter-notice saying whether he agrees with the terms offered. If not, a process of negotiation follows.

If agreement cannot be reached within two months of the landlord's counter-notice, the matter can be taken to a leasehold valuation tribunal.

■ *The act has just been published and copies are available from Her Majesty's Stationary Office. The Department of the Environment has an leaflet on the subject. For a copy, telephone 071-276 3398. The department is planning to publish a more detailed guide later this year.*



Trevor Humphries

Florin Court, in London's Charterhouse Square ... the type of block for which enfranchisement was designed

Directors' transactions

Holdings cut again

HARD ON the heels of last week's significant sales in Logica, the same two directors have been cutting their holdings further. Each has disposed of a further 25,000 shares, bringing the total amount sold, over that extended weekend, to 200,000.

Dealing by directors in Etam, the women's wear retailer, has been fairly modest in recent years – some small purchases in 1990 at around 70p and some fairly small sales last year at around 250p mark. But the sale by Jacob Flatau, a non-executive director, of 400,000 shares is on an altogether different scale. Shares in Etam have been on a strong upward trend since late 1990 but, recently, it has been losing momentum. Earnings are forecast to rise by approximately 40 per cent in the year to end-January 1994 and by a further 15 per cent the following year. That sort of growth should ensure the shares avoid any dramatic setback such as the ones seen in 1990, but the upside potential already seems discounted at the ground level.

Court Cavendish was floated on the market on July 13 1993 and, despite the issue being over-subscribed, ended the first day dealing at a discount to the issued price of 225p. That discount has since fallen further and five directors have bought a total of 16,300 shares at 187p. So far this year, a number of nursing home companies have come to the market or raised capital.

Colin Rogers,
the Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
BPB Industries	BdMa	15,756	34	1
Delyn Group	Pack	35,000	29	1 *
Densitron	Elns	125,000	45	1
Etam	Stor	400,000	1,000	1
General Electric Co.	Elnc	175,000	580	1 *
Jacques Vert	Text	500,000	548	2
Logica	Elns	50,000	122	2
Pelican Group	H&L	250,000	155	1 *
PURCHASES				
Aberforth Sm Cos Wt	InTr	17,000	12	1
Barlows	Prop	1,533,238	685	1
Birkby	Misc	7,200	11	2
BPB Ind Cnv Sub Bds	BdMa	20,000	21	1
Brit Bloodstock Agy	Misc	65,000	33	1
Burtonwood Brewery	Brew	15,000	21	1
Capital Gearing	n/a	19,500	81	1
Cosalt	Misc	33,000	31	5
Court Cavendish	Newl	16,300	30	5
Dinkie Heel	Misc	88,000	19	2
Geest	FdRe	15,000	54	1
Gibbs Mew	n/a	22,500	66	1
Legal & General	InsL	3,000	15	1
Leveraged Opp Trust	InTr	20,000	21	1
London & Atlantic	InTr	18,228	15	1
Mercury Asset Mgmt	OthF	4,928	27	1
Morrison (WM) S'mkt	FdRe	125,000	156	1
Neepsend	EngG	400,000	96	1
Next	Stor	75,000	128	1
Shoprite	FdRe	50,000	73	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 19-23 July 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

FINANCE AND THE FAMILY

Unit trusts / Morgan Grenfell European Fund

Successes outweigh the errors

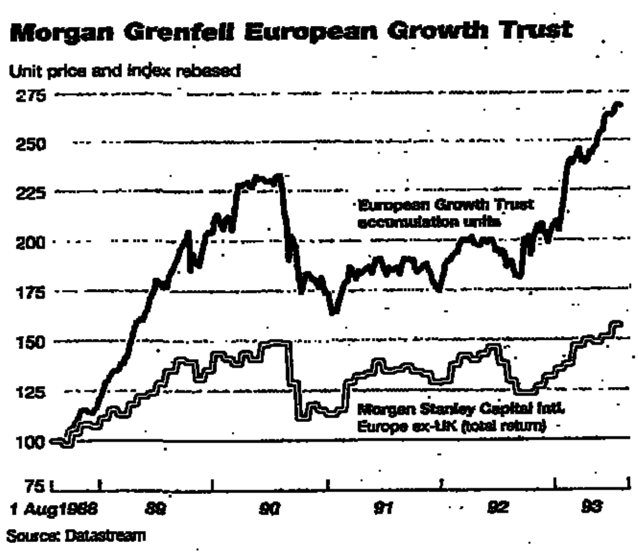
THE European stock markets have offered fairly slim pickings since the fall of the Berlin Wall in 1989. Many a fund was launched in the general euphoria, only to suffer as German interest rates were kept high to meet the costs of re-unification.

Morgan Grenfell's European fund has performed consistently well through the turmoil. Not only is the fund top of the sector over the five years to July 1, with growth of 141.8 per cent (offer-to-bid with income re-invested), but it is in the top quartile (best 25 per cent) of funds in the sector over every period published by *Micropal* (one month, six months, one and three years).

The fund has been managed by John Armitage since its launch in 1988, when Morgan Grenfell moved into retail unit trusts. Figures show the fund beat the Morgan Stanley European (ex-UK) index comfortably in 1988 and 1989 and did so again in 1990 (although both the offer price and the index fell sharply that year). It had a poor 1991, underperforming the index substantially, but picked up again in 1992 and is well ahead this year.

"I only like to invest in things with substantial upside. I reckon that 30-40 per cent of what a fund manager does is a mistake," says Armitage. "The successes have to go up a lot to allow for the mistakes."

Morgan Grenfell European Growth Trust



Source: Datastream

His biggest success was the Swiss watchmaker SMH, but the holding is still a source of regret. Although the share price has increased fourfold since he bought a stake, he sold part of his holding after the shares rose just 35 per cent, and did not get the full benefit of his original decision.

Armitage says he tries to be as eclectic as possible and, accordingly, does not buy stocks that rise and fall automatically in line with the market. He cites his purchase of shares in Norgeskreditt, the Norwegian mortgage lender, at Nkr100 on the ground that the asset value was around Nkr220 and the dividend yield was 5.5 per cent. Almost immediately, a Norwegian financial crisis developed and the shares slumped to Nkr62. Given that Norgeskreditt was a substantial holding in the fund, this worried Armitage; but the shares have doubled over the past eight months and are 33 per cent ahead of what he paid.

"In the European bear market of 1990-92, most investors wanted liquidity and were willing to pay a premium for shares in large companies," says Armitage. He believes there is more value to be found among small and medium sized company shares.

His focus is on stock-picking rather than asset allocation, although he tries to fit stocks within an overall strategic framework. At the moment, he is not overly bullish about continental equities, particularly in the "hard core" markets of mainland Europe.

"Markets are at levels which discount a return to profitability," he says. But he believes industrial earnings will remain weak as volumes and prices come under pressure.

On the positive side, Armitage says: "There is a crashing need for interest rates to fall." If this occurs, equities should benefit as funds flow out of cash and bonds.

The fund's top 10 holdings are: SIP/STET (Italian telecommunications group), Astra (Swedish pharmaceuticals company), Securitas (Swedish security company), Parmalat (Italian dairy products group), Colruyt (Belgian food retailer), Bank Julius Baer (Swiss bank), Christian Dior (French fashion house), Ava (German food retailer), Scor (French re-insurance company) and Fila Holdings (Italian sportswear group).

In terms of geographical spread, the Morgan Grenfell fund is underweight (relative to the Morgan Stanley index) in France, Germany and the Netherlands and overweight in Italy, Sweden and Norway.

The fund's current asset allocation (percentages in brackets) is France (17.8), Germany (15.7), Italy (15.1), Sweden (14.5), Switzerland (9.2), Norway (6.8), Spain (6.7), Netherlands (2.2), cash (1.6) and others (10.4).

At nearly £130m, the fund is one of the dozen largest in the European sector. Only five other funds (Eagle Star European, Fidelity European Income, Henderson European Income, Lazard European Growth and Providence Capitol European) can match its achievement of top quartile performance over six months, one, three and five years.

■ **Charges**
The initial charge is 5.25 per cent and the annual 1.25 per cent. The bid-offer spread is around 6.6 per cent at present. The minimum investment is £1,000 or £25 a month via the regular savings plan.

The trust is Pepable at no extra charge; however, it pays no income and is suitable only for those looking for capital growth.

Philip Coggan

Diary of a Private Investor / Kevin Goldstein-Jackson

More help for small shareholders

AROUND 1.66m people applied for shares in BT3. But how many of them also will buy shares in non-privatisation issues? Probably considerably less than two-thirds.

Although it has been estimated that British adults owning shares have increased from 9 per cent in 1979 to about 25 per cent, more than 70 per cent of them have an interest in only one or two companies.

According to figures from Proshare – of which more in a moment – private shareholders in 1957 held 65.8 per cent of UK quoted shares directly, while pension funds and insurance companies accounted for 12.2 per cent.

By 1989, and despite a spate of privatisations, the number of UK quoted shares owned directly by private investors had slumped to 21.3 per cent, while pension funds and insurance companies owned 48.8 per cent.

What explains this dramatic change? I believe it can be attributed largely to two things: the considerable tax advantages given to pension and life assurance companies compared with private investors owning shares directly; and the belief by many people that, apart from privatisation issues, owning shares is rather risky and best left to "experts."

Another reason why many private investors view direct investment with some caution is because they have read about corporate scandals, such as executives awarding themselves huge salaries for modest successes and being given excessive payments to leave companies which they have brought almost to their knees. What influence can an ordinary private shareholder have over the general governance of a company?

City institutions have a number of powerful committees which make representations to the government and can use the threat of their massive voting power to work behind the scenes to encourage changes in various badly-managed companies. But where are the equivalent committees to represent private shareholders?

Many people also are unsure *about how to buy shares. It is* easy with privatisation issues: just clip a coupon in a newspaper. But acquiring shares in other companies can seem a daunting experience. Where can they turn for impartial help and guidance?

Fortunately, there are now two organisations which seek to improve the lot of the private investor: Proshare, and the UK Shareholders Association (UKSA).

Proshare was formed last year and encompasses the old Wider Share Ownership Council and the Stock Exchange Investors' Club. It offers a number of attractive benefits in return for the £30 annual subscription.

I have been a member since the start and, besides an informative and well-written monthly bulletin, I have received a number of other useful publications. Especially helpful was Proshare's Guide to Information Sources for the Private Investor. This ranked newspapers, magazines, newsletters, radio and television programmes, and a variety of other information sources according to their value for money, ease of use, simple language and up-to-date information. It also gave brief summaries of the content and nature of each information source, along with details of cost and how and where it could be obtained.

Proshare organises events for members, too. These have included visits to such companies as Granada, Eurotunnel, Pilkington and British Airways, plus visits to the stock exchange and seminars on a variety of investment topics, including options. Proshare members also get details of a variety of special offers on products likely to be of interest to private investors.

Financial support for Proshare has been provided by the stock exchange, the Department of Trade and Industry, a number of major companies and the Gatsby charitable trust. But while it aims to "stimulate fiscal initiatives that will give the private investor equal taxation treatment with the institutional investor" and will engage in "promotional initiatives to encourage more user-friendly and lower cost share distribution services," Proshare does not offer openly to aid shareholders in their relations with particular companies. This task is done ably by the recently-formed UKSA. The association is independent and gets all its income from subscriptions: £20 a year for full members and £12.50 for associates.

Its main aim is to "stand up for private shareholders" as well as to "provide a forum for private shareholders to voice their concerns" and "promote improved standards of corporate governance." Already, UKSA has submitted a number of recommendations to various industry and government committees.

There are thriving shareholder organisations in Germany, Holland, Sweden and the US, and UKSA aims to learn from them. I have joined recently and can look forward to three newsletters a year, although the association hopes eventually to produce between six and 12. UKSA also organises special events, which have included meeting John McFarlane, chairman of the task force established recently by the Auditing Practices Board to look into "the future development of auditing."

I very much welcome the advent of these organisations. Perhaps it will not be too long before the government heeds their advice and reverses the seemingly inexorable decline of direct investment in shares by private investors.

■ *Further details of UKSA can be obtained from its chairman, Donald Butcher, 12 Burgh Heath Road, Epsom, Surrey KT17 4LJ. Details of Proshare are obtainable from its offices at Library Chambers, 13-14 Basinghall Street, London EC2V 5BQ.*

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Co-operative Bank	Pathfinder	0345 252000	Instant	£100	5.84%A	Mly
Birmingham Midshires BS	First Class	0902 302090	Postal	£500	6.75%	Yly
Northern Rock BS	Postal	0500 505000	Postal	£2,000	7.00%	Yly
				£20,000	7.50%	Yly
NOTICE A/cs and BONDS						
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£500	6.50%	Yly
Greenwich BS	Capital Shares	081 858 8212	30 Day	£10,000	7.35%	Yly
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	8.10%	Yly
Chelsea BS	Base Rate Plus	0800 272505	2.1.95	£5,000	8.00%B	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0800 654456	Postal	£5,000	6.65%	Mly
Bristol & West BS	Balmoral Monthly	0800 100117	30 day	£25,000	7.55%	Mly
Bristol & West BS	Limited EditionBd	0800 486487	31.1.95	£25,000	7.81%	Mly
Chelsea BS	Base Rate Plus	0800 272505	2.1.95	£5,000	7.73%B	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	8.05%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS		0372 739702	5 Year	£3,000	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.85%	Yly
				£25,000	6.85%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	6.93%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investm	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	7.80%	Yly
Yorkshire Guernsey Ltd	Key Term	0481 710150	31.8.94	£5,000	6.70%	Yly
GUARANTEED INCOME BONDS (Net)						
Prosperity Life FN		0800 521546	1 Year	£5,000	4.72%	Yly
Prosperity Life FN		0800 521546	2 Year	£15,000	5.35%	Yly
Consolidated Life FN		081 940 8343	3 Year	£2,000	5.65%	Yly
Consolidated Life FN		081 940 8343	4 Year	£2,000	6.10%	Yly
London & Manchester FN		0392 444888	5 Year	£2,000	6.75%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	6.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate.
A = Initial deposit of £5,000 or £100 per month required.
B = Rate guaranteed to be at least 2% above base rate (Min 8%) until 2.1.94 and then 1% above base until maturity. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

'Shell' stocks look ripe for reincarnation

Nicolas Phillips examines the potential for revival by moribund companies

THE GROWTH in business confidence in recent months has prompted talk about reviving "shell" stocks – moribund companies ripe for reincarnation under new management. While this type of stock market activity has been dormant for several years, it is not difficult to see why using such companies should again become popular.

There are, after all, a considerable number of potential candidates which have only just weathered the economic blizzard. There is also a new generation of managers which, having served its apprenticeship in an established conglomerate, is now ready to create one of its own.

Knowing there is potential shell activity around is tantalising to the private investor because of the chance of making some very quick and large capital gains. But where does the average private investor find "shells" before the all-important emergence of new management to transform that dormant quote? How can the private investor shorten the time between making a decision to buy shares and then seeing some take-over activity?

There is no certain method of picking either the right company or the right time. But there are several steps a private shareholder can take in an effort to reduce the odds from "rank outsider" to "short favourite" and see more rapid results.

First, look at the capitalisations of the various companies quoted on the stock market. Any entrepreneur seeking a suitable vehicle with which to realise a stock market ambition will generally be seeking a company with a low capitalisation, since it will not only be more affordable but its share price will move disproportionately once other people realise what is happening.

Therefore, rule number one is to consider only those companies with a capitalisation below £6m. Before their transformation, such companies as Bel Air Cosmetics, Polly Peck, Mellins, Excalibur Jewellery and DSC all had values well within that limit.

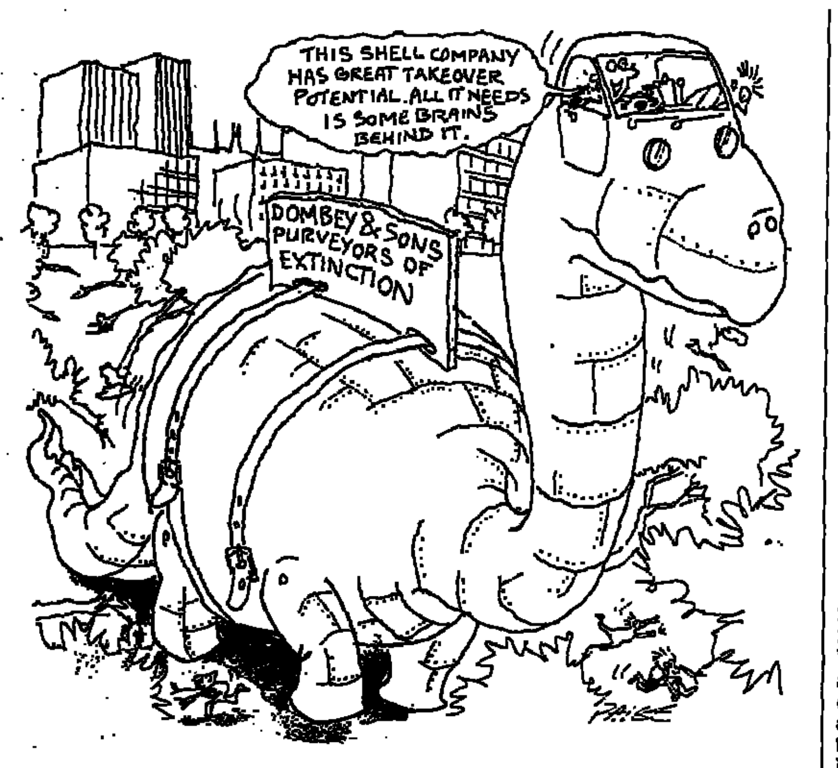
Armed with the *Financial Times*, or the Stock Exchange Official List, and ignoring USM companies, pick out only those companies which satisfy that capitalisation limit. It will probably leave you with a list of some 250-300.

A further narrowing of the field is achieved if only those companies which are making poor profits (or even losses) are chosen – strange advice from which most sane individuals will tell you to steer well away. But there is method in this madness. Companies which are well managed and producing increasing profits each year are better able to resist take-overs and, in any case, will not be capitalised at under £6m for long.

It takes time and effort to glean information on small companies' past performance. The *FT*, *Investor's Chronicle* and the Business Library are the best sources, and a few hours devoted to this task will be rewarding. But, in a post-recessionary period, you will still be left with a formidable number of companies from which to choose.

Watch price movements over a period, plotting these at least once a week on some graph paper. A rising price, often over a period of several weeks, is inconsistent with a company which has hit hard times. Someone always knows more than you do; and while insider trading rules have limited severely the use which can be made of "price sensitive" information, an examination of share prices and subsequent corporate activity suggests this legislation has succeeded only partially.

When a company is on the receiving end of take-over activity, it is involved in talks with its advisors (such as accountants, solicitors, stockbrokers and bankers). People notice such things. But how does a would-be investor know if two and two is being added to make five? An observer could, very easily, draw a wrong conclusion – and that could mean a very expensive mistake. Many years ago, William Pickles plc trebled in price and everything looked set fair for a very profitable run – only for the shares to be suspended and the company to enter receivership.



So far, we have achieved nothing other than risk money and have the dubious pleasure of watching the share price gyrate until the company announces what is happening. We need now to try to introduce some degree of certainty into the selection.

By looking again at the financial press, company reports or information in the Business Library, you will be able to find out who owns large stakes in companies. If you seek out those where, in particular, the board of directors has a holding (say, up to 30 per cent), you can be reasonably sure that it might at least have the wit to know when it is beaten and seek to sell its shares before the company goes bust. That directorial shareholding could, therefore, become the all-important stake a budding entrepreneur requires.

So, there you have it – a simple system. Below £6m capitalisation, making losses/small profits, rising share price, and a boardroom shareholding to help underpin your stake. What could be easier? Your way to riches is assured – or is it?

First, you will have to contend with your stockbroker's stunned silence when you ring to place your buy order. He will suggest so many other more rational ways in which to invest your money. He could also be right. I can remember buying my second tranche of shares in Excalibur Jewellery when the price had risen from 11p to 13.75p. They subsequently went to £1.40. Alas, his caution was all too prophetic when it came to Ramar Textiles.

If, however, you have decided to try the "shell" game with a portion of your funds, do not be dissuaded. Later, though, when you have established your credibility as a shrewd punter, you could have to be careful to spread your buying instructions over several brokers so that they do not start following you, forcing you to pay more on subsequent purchases. How often have you had a call from your broker suggesting you buy something because "one of our other canny clients has just bought very heavily."

Second, you will have to be prepared to buy in relatively small lot sizes. Gone are the days when you could pick up sizeable chunks of small companies without being made to pay excessive premiums over the share price. But there is often time, and your patience will be rewarded by being able to buy at reasonable levels.

Third, you will worry that, if the price has started moving up, it might be too late to jump aboard. An examination of many "shell" operations reveals that, almost always, the initial rise in share price is followed by either a plateau or even a drop – presumably, as other investors get cold feet and decide to pull out.

I referred, at the start, to the reincarnation of shell activity, which pre-supposes there are dormant periods. How do you recognise when such a period is about to descend on your efforts at making a fortune?

A wise old US investor suggested, many years ago, that "when the bellboy in the lift starts giving you share tips, you know that the market is riding for a fall." Nowadays, there are not many bellboys around so, for its modern equivalent, beware the time when your bank manager gives you tips to buy speculative stocks. They always seem to have yesterday's news.

A husband's bad conduct

MY DAUGHTER'S husband has started to behave badly – with the aim, I suspect, of gaining a financial settlement if it came to a separation or divorce.

I am particularly concerned about two assets: (a) a house I gave my daughter (value £60,000 after the wedding, value £90,000 now), and (b) a personal equity plan of £50,000 in my daughter's name, which I funded.

The marriage was eight years ago and there is one female child aged two. The husband has virtually no assets. Is there any advice you can offer to mitigate this situation? We live in Scotland.

■ The house which you bought and gave to your daughter will not be taken into account in assessing her husband's share of the matrimonial property, owing to the fact that it was given to her.

The personal equity plan is slightly more problematical. It might be more difficult to prove that you funded it. If, however, you are able to prove that you did, then it would also fall out of the definition of "matrimonial property." Accordingly, it would not be shared by the husband on divorce.

Tax is more than income

ABOUT FIVE years ago, my mother-in-law sold her house and moved into a residential home. She was advised to invest the proceeds from the sale in a National Savings income bond.

The interest from this is paid monthly without deduction of income tax and is her main source of income.

In assessing her liability, the Inland Revenue has advised that untaxed interest is assessed on a current year basis for the first and second year of the income received. The third year can be taxed either on a current year basis or a previous year, whichever is beneficial to my mother-in-law.

After that, the interest is taxed on a previous year basis until the penultimate year. Then, it is taxed on the current year basis or the previous year basis ,whichever is more favourable to the Revenue. In the final year, it is assessed on a current year basis.

If my mother-in-law was to sell her income bond this year, the amount assessable for tax would be significantly greater than the income actually received.

Has the Revenue interpreted the tax legislation correctly? If so, what should my mother-in-law do to minimise her liability?

■ Yes, what the tax office told your mother-in-law is an accurate paraphrase of the relevant parts of sections 64, 66 and 67 of the Income and Corporation Taxes Act 1988.

Although we have mentioned these capricious rules in our columns from time to time over the years (because the 1988 Act merely re-enacted long-standing legislation on this point), they do still unfortunately come as a shock to some of our readers.

As you say that your mother-in-law "was advised" to buy a National Savings income bond, perhaps she has grounds for a formal complaint against her adviser for not warning her that she would be taxed on more interest than she would actually get if interest rates fell over the life of the bond.

If she read the National Savings Department's advertisements and/or descriptive leaflet before deciding to act on the adviser's recommendation, she might wish to submit a formal complaint to the department or to the Advertising Standards Authority if she considers that the potential tax charge on non-existent interest was not made sufficiently clear by the department's literature.

She might also wish to complain to the Board of Inland Revenue about its decision not to produce an explanatory leaflet on the odd rules for the taxation of untaxed interest.

Finally, she might wish to send copies of her letters of complaint to her MP although, unfortunately, the House will shortly be rising for its exceedingly long recess.

The address of the Board of Inland Revenue is Somerset House, Strand, London WC2R 1LB. The House of Commons' post code is SW1A 0AA.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

An MP who won't answer

DESPITE writing repeatedly to my member of parliament about the unprofessional manner in which the Inland Revenue has dealt with my tax affairs, he either fails to reply or gets his secretaries to reply (clearly, they have not bothered to read my correspondence).

I have asked for the matter to be referred to the ombudsman but, again, my MP failed to reply. Can you provide me with the address of the income tax/Inland Revenue ombudsman?

Second, is there an independent body to which one can write with a complaint about an MP's attitude. It seems ridiculous that an MP can simply fail to do his job for his constituents.

■ The address of the Revenue Adjudicator, Elizabeth Filkin, is 3rd Floor, 28 Haymarket, London, SW1Y 4SP. The phone number is 071-930 2292.

As a first step, ask your tax office for the free pamphlet IR120 (You and the Inland Revenue) if you have not yet seen a copy.

MP are free agents – indeed, they are even free to decide not to go near the House of Commons between election and the next dissolution, and to ignore all correspondence. Those who voted for them must accept the consequences of their choice, as must all their other constituents. In defence of your MP, we should point out that the volume of correspondence received by most of them would overwhelm many business people.

Minding Your Own Business

Gunsmith over a barrel

Tim Burt visits a family company which has lost its market

TIBOR Takats has a lethal workshop. It is a repository of ballistic hardware: the kind of place Serbian militiamen dream about. There are guns galore: bolt actions, pump actions, double barrels, pistols, stocks, grips and firing mechanisms by the boxful.

Sitting amid the stockpile and wearing his spectacles and crumpled cardigan, Takats – a Hungarian war veteran – looks more like Gepetto, the benevolent wood carver in *Pinocchio*, than a firearms manufacturer. Unlike Gepetto, Takats' story is no fairy tale. As a teenager in Nazi-occupied Budapest, his apprenticeship at Skaba and Plokl, the city's leading gunsmith, was interrupted in 1944 when he was drafted to fight the advancing Russians.

The craftsman says he only survived because he was hospitalised with shell shock. Captured and interned in 1945, he decided to flee Hungary after being forced to "loot furniture for the glorious Red Army".

He escaped, only to be arrested in Austria by the British Army which was screening refugees in the search for war criminals.

The detention camp near Klagenfurt proved to be Takats' gateway to business in Britain: he was recruited at the camp as a volunteer worker for the labour-starved UK.

Since arriving in 1948, Takats has built up one of the country's most specialised gun shops. It relies on expertise gained in the back streets of Budapest and in the more refined atmosphere of Holland and Holland, the London gunsmith, where, in the 1950s, he repaired shotguns with pedigree names such as Cogswell and Harrison, Henry Atkin and Thomas Bland.

Today, however, such weapons are not attracting buyers. Takats' own business – set up with a £9,000 loan more than 30 years ago to refurbish .303 rifles for the armies of newly-independent Commonwealth states – has lost its firepower.

Looking round his workshop in Ware, Hertfordshire, the war veteran points out a dusty print of a 19th Century hunting scene. It depicts a poacher caught in a trap and is captioned "A painful discovery". The words are a fitting verdict on many gunsmiths struggling to overcome the long recession.

Ashley Ashwood

Under the gun: Tibor Takats with his wife Connie and son Graham

Takats dates the beginning of his downturn to August 20 1987. There were no interest rate rises or currency crises that Thursday; it was the afternoon Michael Ryan killed 14 people and wounded 15 others with a Kalashnikov automatic rifle and a pistol.

The government quickly tightened firearms law, introducing new restrictions on sales and ownership. More importantly, perhaps, Britain's worst mass-shooting undermined demand for sporting weapons. For many people, shooting for fun had become socially questionable.

"The Hungerford massacre had a dramatic effect on demand," says Takats. "Our turnover had been growing every year until the late 1980s. At one time we sold 30 to 40 [shotguns] a month; it's now three to four a month."

Since the peak, the company's income has fallen by almost 50 per cent, from more than £130,000 to around £70,000.

Borrowings, meanwhile, have risen. In a calculated gamble, Takats, together with his wife and co-director Connie and son Graham – who handles financial matters – decided to diversify into fishing equipment and country clothing in a bid to stem the losses on gun sales.

They arranged a £36,000 secured loan to finance the move, but it has so far failed to generate substantial new business.

The recession has persuaded cash-strapped members of the hunting and fishing fraternity to abandon brand labels in favour of cheaper alternatives. Hopes that customers would buy Barbour rather than M&S have been frustrated.

Rows of unsold waxed coats, bush hats by Woodrow and deer stalkers from Christy's testify to the malaise.

"There's been a change in social trends and fewer people are taking up shooting as a sport. The prospects are not good," says Takats. The future of gunsmiths across Britain would be further jeopardised by any changes in gun control laws, he adds.

"Thirty years ago, you could sell a shotgun to a 12-year-old. It wasn't classified as a firearm until the killing of Ginger Marks in the late 1960s."

Marks, named by police as a gangland villain, was murdered with a shotgun – prompting clauses in the 1968 Firearms Act forcing shotgun-owners to license their weapons. "Any further regulations would not help the business at all," says Takats.

This is not a plea from a businessmen seeking leniency from his lenders. Fortunately, says Takats, National Westminster Bank, which loaned him money at 9 per cent, has not yet turned hostile.

Nevertheless, its patience has been stretched by the company's inability to repay any of the capital on its loan. Current turnover means it has the funds only to cover interest charges.

"The bank wants to see some change by the end of the year. We'd better have a good Christmas."

Anxious to placate his bank, Takats has reduced his stock "to a bare minimum" and even refurbished old and rusted air rifles stored for years in the shop cellar.

The discarded barrels lying on the workshop floor do not compare well with the engraved and intricately designed shotguns lining the walls.

"My skill is that I can make components from solid metal with just my hand-tools and my brain. That could die out. I will carry on for my son but if things get worse we might have to sell up. It's not a success story, is it?"

■ *Takats Master Gunsmith, 73 High Street, Ware, Herts SG12 9AD. Tel: 0920-462057.*

***Lucia van der Post** looks at ways to reduce the shock when you take off your tights and walk to the beach*

The quick routes to browner, shapelier legs

YOU *may think it is a skirt but anybody who* has been to east Africa knows better. A Kikoi is a bright cotton wrap that east African men wear around their middles with panache and dignity *writes Lucia van der Post*. Practical, tough and eminently washable, it is made from a long piece of cloth, 1 metre wide. It is secured by folding in the ends, drawing them around the waist and rolling the top down. It can be worn for sleeping, slopping *round the house, beach-combing. It is a perfect* holiday garment – and you do not have to go to Kenya to get one. Simon Friend imports and sells them in a variety of colourways at £22.50. Coming in soon at Davies, 10 Great Newport St, London WC2 and American Retro, 35 Old Compton St, London W1 and 14 Pembridge Rd, London W11. For other stockists *contact Simon Friend, 13 Hemberton Road,* London SW9 9 LE. Tel: 071-274-7827.

IT'S summertime. You are heading for the beach and your legs do not look much like Julia Roberts'. What, if anything, can you do? Quite a lot, actually.

You have probably left it a bit late for a *serious* programme of toning and exercising but almost every beauty *salon, health club and posh* department store has developed a range of treatments which at the *least leave* the skin softer, smoother and better-textured and just may do a little bit more.

Harrods has remodelled, upgraded and altogether made much posher, its Hair and Beauty Salon. More impor*tantly, it includes a much* wider range of treatments. You could go in for something as simple as a pedicure and some chiropody or, if you wanted instant toning, you could try special treatments such as Ionithermie, Aromazone, Lymphatic massage or hydrotherapy.

This summer has seen a *boom in the number of creams,* gels and lotions all purporting to turn lumpy, dimpled skin into blemish-free silk. I have tried two – Dior's Svelte Body Refining Gel (£25) and Shiseido's Body Contouring Complex (also £25) – and though neither *made any significant difference* to my shape, the massaging the lotions require and the oils and extracts in them, undoubtedly leave the skin much softer. They are also remarkably unoily so that you do not risk spoiling tights, *sheets or clothes. Anybody* thinking of spending £25 on such alluring prospects should understand that no miracles are likely.

Probably just as effective at a fraction of the price would be using a body brush (The Body *Shop sells them for £5.50) to* brush the skin on your legs for at least five minutes a day.

One of our design team, Frances Trowsdale, tried out a *few more. "Decleor has a night* and a day treatment," she says. "I massaged the night one, Decleor's Firming Body Oil (£18.30 for 50ml), into my legs *after a bath with a gentle body* brush using circular movements as instructed. It is a thick pungent oil and should be used at night but never *before putting on fine clothes.* To my amazement the results were instant – soft silky legs.

"In the morning I used the Decleor Sliming Body Cream (£27.75 for 150g). This non-sticky non-greasy cream left the skin feeling firmer and the circulation much improved – I feel all that massaging helps."

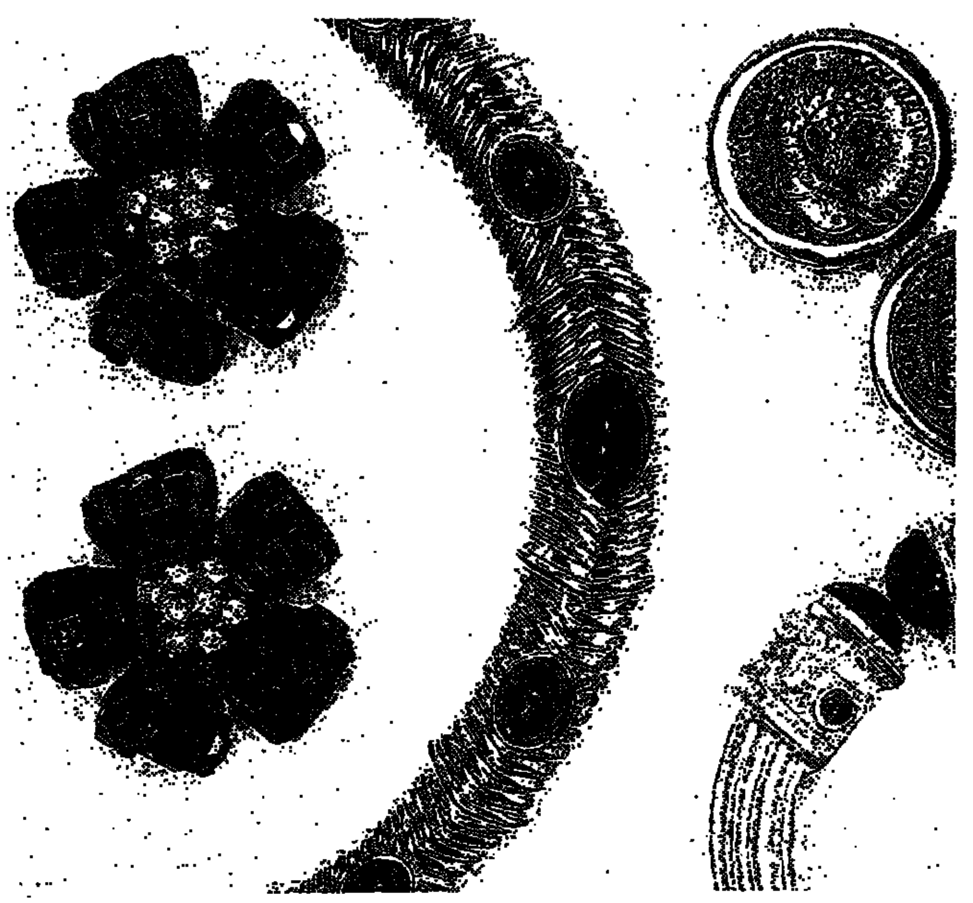
All legs, of course, look better brown but now we know just how dangerous sitting in the sun is the obvious answer is: acquire a tan *before* you go on holiday. From a bottle.

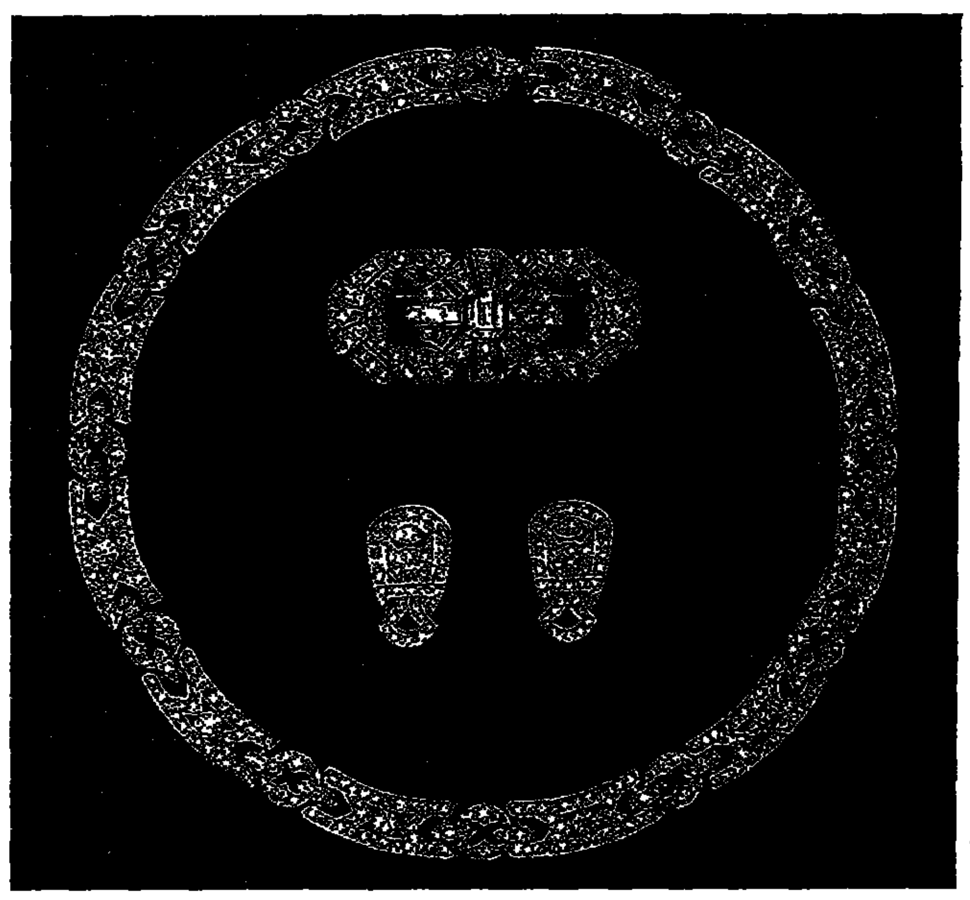
Jill James tried some. "The pick of the self-tanning lotions for my (very) pale skin," she says, "was Estée Lauder's self-action tanning spray. It was so natural – I tried the medium bronze colouring – that colleagues failed to spot that I had a tan at all. A respray made them take notice. This was because my arms acquired two *shades of colour because of my* inexperience in applying it. But, where I had managed to get an even cover, it really did look natural.

"The only snags with the spray are that it is difficult to apply evenly and you are advised to leave one hour before you put your clothes back on. This proved tricky on a busy Saturday morning in our house – milkman calling to be paid, paperboy delivering the wrong magazine, son's friends wanting to know if he can go swimming.

"For the face, I liked Helena Rubinstein's Golden Beauty *self-tanning lotion. Easier to* apply than a spray, this cream gave an even, natural tan and I might be tempted to use it as an all-over cover this summer. But a word of warning – all the tanning lotions left my clothes stained and bra washing was a real chore."

In the city, even the best, brownest, longest legs look better covered. The Sock Shop has splendidly light, flesh-coloured sheers called Cosmetics For legs at £4.99 a pair.





Real gems are too brash for the '90s

***Lucia van der Post** on the elegant and affordable costume jewellery that matches the new fashion for flowing lines and softer fabrics*

NOW THAT the flashy, go-getting 1980s are nothing more than a nostalgic memory and the lean 1990s are well under way, proper jewellery – such as diamonds, sapphires, *gold* and platinum – is out of vogue.

While the power suits and shoulder pads required bold, glitzy jewellery to match, today's softer fabrics and more flowing lines cry out for subtler, less obvious pieces.

Ever-on-the-ball Fior, which has long had a reputation for making finely-crafted costume jewellery, *today has immacu*late versions of all the latest decorative looks at extraordinarily reasonable prices.

A glance in the window of either of Fior's shops probably would make most of us pass by quickly, convinced that these glittering pieces were way beyond our means. But study them more closely and you will find that almost all of them are immaculate pieces of costume jewellery which look every bit as well made as the real thing and sell at very accessible prices.

Fior employs the techniques the master jewellers use to make their *haut jouallerie*. All the *settings are* hand-drilled, all the pieces hand-finished. There are cantilevered *bracelets, enamelled brooches,* "lost settings" (a traditional setting for fine stones to make sure the claw is not seen, which was used to make the flower earrings photographed above left) and fine beading.

All the care and skill is *there; only the intrinsic mate*rials are different. Whereas *haut jouallerie* is made from gold and platinum, from silver and fine gem stones, the Fior versions use cubic zirconia, *faux* gems, rhodium and gold plating.

All this, of course, has a remarkable effect on the price. Whereas a pair of classic two-carat diamond stud earrings probably would sell for around £900 if real, the Fior version of two-carat cubic zirconia is just £60.

And when it comes to something as exacting as the diamanté set of necklet, brooch and earrings photographed *above right*, the *price differ*ence is even more dramatic. The original 1930s set on which it was based probably would sell today for somewhere between £10,000-£15,000, while *the version here sells for £506* (although the pieces can all be bought separately: the necklet *is £215, the brooch, £250,* and the clip earrings £41).

The lost-setting flower earrings beloved of Van Cleef and Arpels, hand-set in silver gilt (and photographed above, left) are £400; centres can be "rubies", "sapphires", "emeralds" or "amethyst." Pictured with the earrings is a Romanesque bracelet in matt 18-carat gold plate for £65, a gold and cabochon necklet for £155, and Roman coin earrings at £44 the pair.

Anyone familiar with what is *à la mode* in the swish Bond *Street jewellery stores* will recognise the looks at once. There are the "gold" and cabochon *rings and bracelets*, the Romanesque pieces, the coin earrings, the flower earrings, the Daliesque watches, and the sharper Paloma Picasso-style pieces.

Besides selling ready-made versions of all the latest looks, Fior has established a niche in *making perfect copies of pieces* that are too valuable to wear. Many a celebrity lodges her real jewellery in the bank and goes out on the town in Fior's handiwork.

Elizabeth Taylor commissioned Fior to make a replica of her famous emerald and diamond brooch, while one of Britain's better-heeled dukes, after discovering that it would cost him £10,000 to insure some of his wife's jewellery for their *holiday trip to Australia*, decided to have a precise copy made. It cost him £5,000 but he *had saved another £5,000 and*, as he put it: "My wife has a ring she can go on wearing forever."

■ *The Fior shops are at 27 Brompton Road, London SW3, and 31 New Bond Street, London W1.*

IF YOU prefer your jewellery chunky, bold and ethnic amber may well be the choice for you. *Back in May I reported that* amber was *the* stone of the summer with Cobra & Bellamy kicking the amber season off with a spectacular selection of rich, raw and brutal pieces culled from the ancient fossilised forests around the Baltic Sea.

Since then the choices have proliferated and you can buy *amber jewellery in many* moods and at many prices. You can buy a small selection by mail order from Muftec Consultancy, 27 Coval Road, London SW14 7RW. There are amber rings (£28) and a good selection of ear-rings (ranging from £35 to £65) as well as bracelets (£85), brooches (£45 to £65) and an amber and fancy silver collar (£95). All the pieces uses silver for the setting and all are made from amber found on the Baltic coast of Poland or Lithuania, each piece is hand-cut and *hand-made*. Write to Muftec for a brochure.

Next and most branches of *John Lewis are selling* well-priced pieces from the Goldmajor collection of amber jewellery – *ear-rings start at* £16.45 and for around £30 there is plenty of choice. At the top end of the range the mosaic necklaces are quite spectacular.

At Manguette, 20a Kensington Church Walk, *London* W8, a small but *charming jewellery shop, there* will be an exhibition of contemporary amber jewellery, September 15-29, with contemporary designers such as John Bowman, Gatto Bianco, Ashley Wheeler and Eileen Coyne. Prices range from £50 to £2,500.

If you want something to wear with your summer *wardrobe you do not have to* wait until September – Manguette always has a *marvellous selection of amber* pieces. Available now is the stunning necklace, above, designed by Eileen Coyne, made from Baltic amber, and selling for £795.

Lucia van der Post

FASHION

The bronze age sun worshippers take cover

*What's new under the sun? **Avril Groom** visits Cap Ferrat where the mahogany-tanned beach bunnies are going the way of the dinosaur and the golden girls are changing style*

Cotton lace and [illegible] from Harvey Nichols. Towelling turban, £[illegible] from The Hat Shop. Sun-glasses, £105 from Browns.

EXTOLLING the virtues of a plain black swimsuit to the women around the pool at the Hotel Bel-Air in Cap Ferrat is likely to produce plain black looks. They take glamour in the sun seriously here and they know that, in the brilliant, bleaching light of the French Riviera, it is bright, or at least a bold monochrome, that looks right.

Minimalist is not a term recognised in the discreetly indulgent atmosphere of this cliff-top spot at the tip of one of the Cote d'Azur's wealthiest peninsulas. And these practised sun goddesses have a point. In their exuberant swimsuits, fringed pareos, fat Alice bands and jewellery, many of them look marvellous. As John Betjeman believed, good taste can be ghastly. On holiday, when fun and glamour are priorities, it can make you invisible.

The one way to ensure that a swimsuit oversteps the line that divides flamboyance from vulgarity is to wear it with a mahogany suntan. Below the Bel-Air's pool, in full sun on a windless terrace, the last of the topless beach bunnies anoint themselves with coconut oil and fry, storing up a future of health horrors and skin wrinkled like the dinosaurs which, in fashion terms, they have already become.

Catching the breeze round the pool above are the wiser golden girls who take refuge under the forest of white parasols that sprout beside each beach lounger as the sun reaches its full height.

The loose shirts and sarongs that high-glamour swim ranges such as Gottex, Gideon Oberson and La Perla have long provided as part of their co-ordinated beach style are worn not just for propriety during lunch but as a matter of course in the heat of the day.

As many British stores seem to think that autumn arrives at the same time as the holiday season, finding such co-ordinates can be tricky if you wait, as many do, until just before your holiday.

Nylon/Spandex swimsuit, £79, cotton pareo (as shawl), £105, both by Gottex from a selection at Fenwick, New Bond Street, London W1 and Harrods, Knightsbridge, London SW1. Cotton trousers by Issey Miyake, £200 from Browns, South Molton Street, W1.

Plimsolls by Superga, £34.95 from Russell and Bromley. Straw hat, £35 from The Hat Shop, London and Glasgow. Glass beads, £24.95 from Liberty, Regent Street, W1.

Harrods' swimwear department is there all year and has a full range of Gottex swimsuits and beach separates. Both Fenwick and Harvey Nichols have recently-arrived stock which has not formed part of their sale. Debenhams' reasonably-priced (from about £20) high summer range will last throughout August, Slix has just introduced its summer range and Issey Miyake's Splash collection of non-crease holiday pieces is also a new arrival.

These collections reinforce the pursuit of glamour with nostalgic, 1950s-inspired style – draping, ruching, underwiring, lower leglines and even skirt effects all play their part.

Fitness-conscious women on holiday take swimming as seriously as sunbathing and even ruched chiffon is now water-worthy.

The most starrily-clad Bel-Air resident can safely entrust herself to Pierre Grüneberg, the swimming instructor whose way of teaching the water-shy by calmly and firmly making them put their heads under water and control their breathing has made him more famous than his glittering pupils. Women, he says, hate getting their hair wet but these days they have no excuses: floral bathing cap and turban are hot fashion items.

Jewellery is also part of the glamour canon and gold is flattering to a golden skin. Jewellery, like the tan, is toned down this year, to a substantial but discreet chain or bracelet of the real thing to wear by pool or beach and a matt gilt costume-jewellery bangle to jangle at lunch. Mappin and Webb's Spirit of Gold British-designed collection is an interesting source of well-priced pieces.

A paler shade of bronze may be fashionable but skin needs as much attention to keep it supple as in the days of darker tans. Apart from suncreams of a suitable protection factor, generous after-sun moisturising is essential, preferably an almost perfume-free one such as Decleor's Fraicheur Après Soleil. This will blend successfully with the moisturising after-bath lotions that complement your favourite fragrance, with lighter eau de parfum most suitable for warm weather. Just launched is the bath range to go with last summer's successful scent - gardenia, hyacinth and fruit-based-Gio by Armani.

Hair needs sun protection, too. Colourist Jo Hansford, who has just opened a London shop, says all hair dries and fades in the sun, with tinted hair affected most. She suggests a hat. Sun protection screens and conditioners such as Schwarzkopf's Bonacure range help.

"Bleached hair is already damaged because the pigment has been stripped," she says. "You don't want to exacerbate that effect. We sometimes have to re-tint highlighted hair that has had too much sun."

There are other traps which, if taken to extremes, could be disastrous. "Lemon juice to help the sun lighten hair can turn dark hair orange," she says. "And too much chlorine turns it green."

Spandex chiffon swimsuit, £99, polyester shirt, £199, both by Gottex from a selection at Fenwick and Harrods.
Sunglasses by Hardy Amies, £24.95 at Harvey Nichols, Knightsbridge, SW1.

Polyester/elastane swimsuit by Slix, £49.99 from Harrods, Selfridges, Dickins and Jones and House of Fraser.Rayon georgette shirt, £88 from Jigsaw.

Swimcap, £16.95 from Fenwick. Pearl-studded bag by Judith Leiber, from a selection at Harvey Nichols, Mappin and Webb and Asprey

Make-up by Christian Dior, including Sun Shower Ombre Express waterproof eye shadow, Moonlight nail enamel and Sheer Opal Rouge Collection lipstick.
Pictures by Tony Boase at the Hotel Bel-Air, Cap Ferrat.
Flights London Stansted to Nice courtesy of Air UK.
Pierre Grüneberg's individual swimming lessons are FFr250 (£28) for 40 minutes for those staying at the Bel-Air. He will be holding swimming clinics at the Lygon Arms Hotel, Broadway, in Hereford and Worcester, November 4-8 and the Savoy Hotel, London, November 9-12. Three 30 minute lessons cost £30 each. Telephone 071-872-8080 for details.

Spandex swimsuit, £75, stretch silk sarong, £370, both from Gucci, Old Bond Street, W1 and Sloane Street, SW1. Gold necklace by Jo Godwyn at County Classics, £2,200 from Mappin and Webb. Earrings, £14.95, bangles, £26.95 and £9.95, all from Fenwick. Sunglasses by Moschino, £62.50 from Harvey Nichols.

Fading appeal of bright colours

***Jane Mulvagh** looks at the growth of a subtler, kinder aesthetic of fabric dyes*

SITTING AT Henley a few weeks back I listened to two septuagenarian oarsmen discussing, with a gravitas that verged on the comic, the comparative pinks of their Leander club socks. "Marvellous shade", one acknowledged, pointing at the other's flamingo-hued ankle, and continued, "the trouble is, mine are new and still look rather garish even though I laid them out on the lawn in the sun and rain for the last two weeks." His companion gravely nodded in sympathy.

The issue, of course, was fading. No self-respecting Leander man wants to be seen in a brand new pink blazer, tie or socks, for long-standing membership of the sport's inner sanctum speaks volumes. But the faded socks, while losing none of their piquancy, did look a good deal better.

The incident reminded me of a tip I read in Lady Diana Cooper's memoirs, *The Rainbow Comes and Goes*. Whenever she redecorated one of her homes she would lay the new upholstery and curtains out on the lawns leaving the elements to undermine the manufactured brightness. Even the most zinging Bloomsbury colours were toned down, ridding the aniline dyes of their harshness.

Synthetic aniline dyes were invented in 1841 by the chemist C. J. Frizsche. By the 1860s they were being mass-produced for dress and interior decoration and reds and purples, historically the most expensive colours to produce, became widely available. The Victorians latched on to their brightness with glee because it had once been a sign of wealth and it became highly fashionable among the *nouveaux riche* merchants to have mind-bogglingly bright homes and clothes.

William Morris, the artist, led the inevitable reaction. He experimented with natural dyes, particularly favouring indigo and madder because they faded beautifully, reminding him of the Medieval tapestries that he so admired.

Sadly, apart from a few side-tracks by craftsmen and aesthetes, garishly bright dyes have dominated this century's palette, culminating in the shocking pink, vibrant tangerine and other day-glo colours that fought for our attention and our purses in the late 1950s. In recent years dye manufacturers have actually prided themselves in creating colours that will not fade and celebrities such as Jeff Banks advertise the advantages of detergents that do not fade clothes in the wash.

Thankfully a new colour aesthetic is emerging of a subtler and kinder sort. Some seek it in the faded charm of vintage clothes or Grunge, others prefer the subtle and rich (rather than bright) colours and textures of designers such as Issey Miyake and Romeo Gigli who are interested in the dye processes of India and the Far East where natural dyes are still widely used.

It is rich, rather than bright, colours that fade the most beautifully and it is a faded richness that tends to flatter northern European complexions more than Matisse brights or those mushy "pastels" served up in chain stores. And many would argue that muted rather than poster-paint brights look more refined. But sadly the mass market manufacturers are reduced to pumping out these flat, hard colours that defy fading as natural dyes are so expensive.

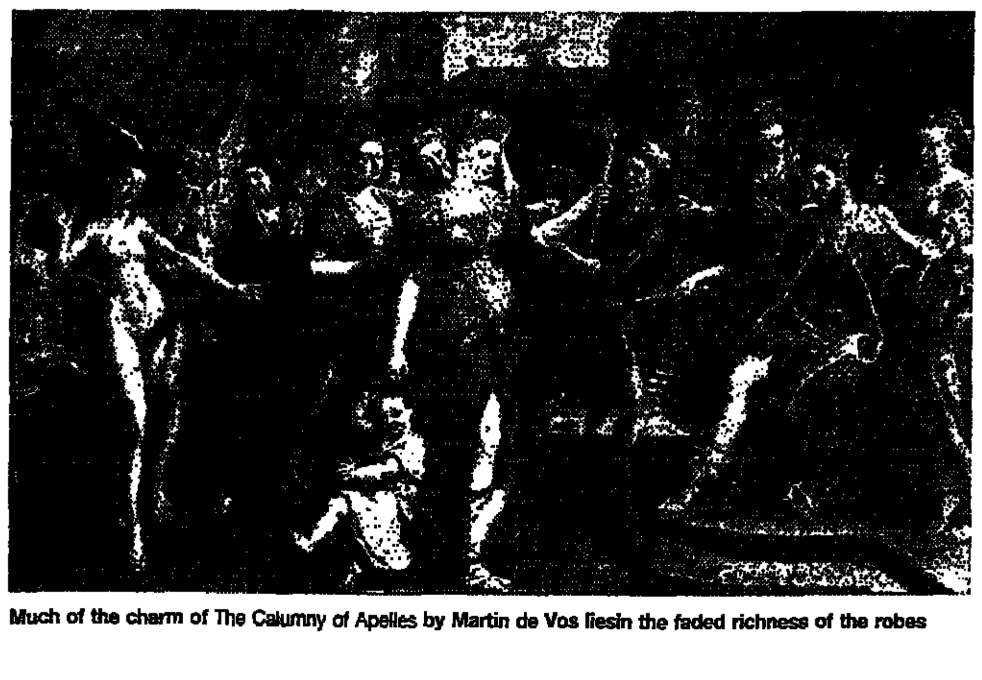
At a cottage industry level natural dyes are less harmful to the environment but they are impractical on a commercial scale because, according to the colour chemist Brian Burdett at Shirley Technology (part of the British Textile Technology Group), "the planet cannot grow sufficient natural dyes to meet our needs and the application of natural dyes needs chemical additives that are more harmful than synthetic dyes."

Instead, his team is working on a cross between natural and synthetic dyes, using micro fungi which produce pigments. The idea was born when one of them noticed the colourful fungi that developed on the foam of home-brew beer when it went wrong. Its appealing colour would dye the plastic container and was difficult to remove.

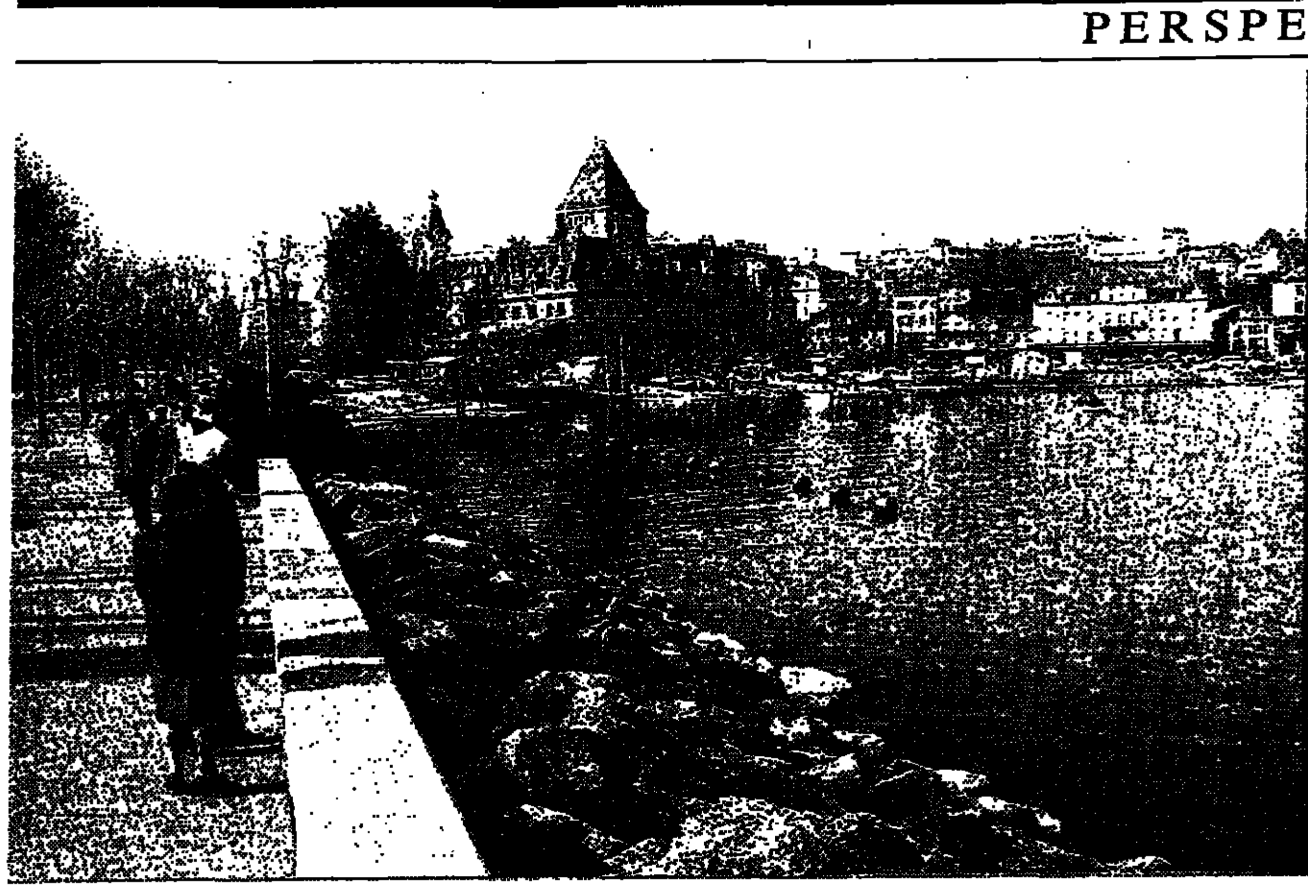
Research revealed that mildews and other micro fungi can produce amazing colours. The project has succeeded in creating colour pigments in cool conditions, which require neither heat nor chemical additives. With the application of environmentally-sound chemistry they will soon produce a commercially viable dye. I hope it fades with charm.

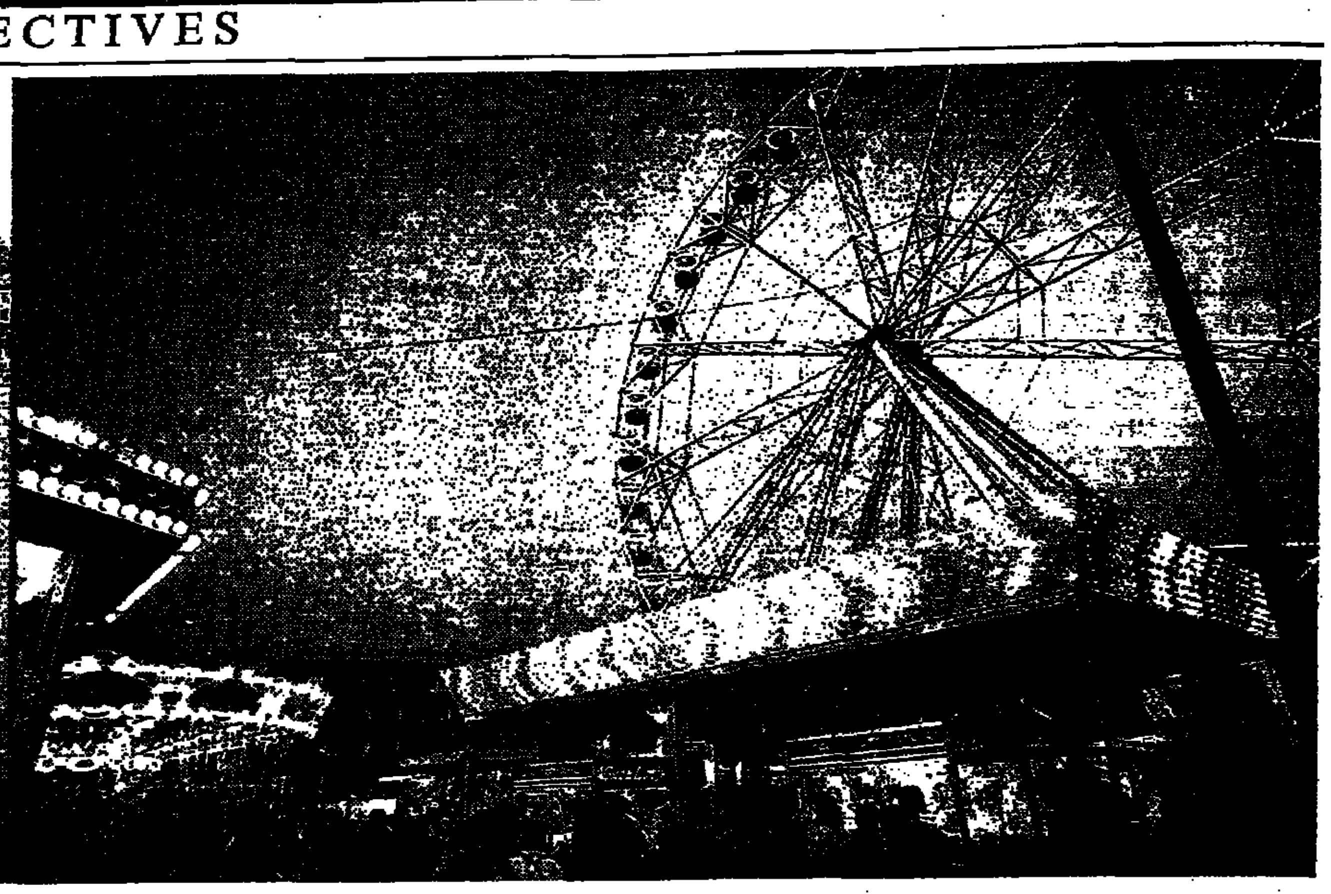
Meanwhile Eric Bremner at Laura Ashley has also tuned into this colour-tempering aesthetic. He will be introducing a mechanised fading system in the company's printing works in Wales to recreate that oldy-worldy look that so many admire in old fabrics.

This shift in aesthetics can do no harm to the environmental movement which is trying to encourage us to get over our newness neurosis. Perhaps we will all concur with the rarified sensibilities of Lady Diana Cooper and my Leander friends – allowing the colour of our clothes to age gracefully.



Much of the charm of The Calumny of Apelles by Martin de Vos liesin the faded richness of the robes





Life in the borderlands: the tranquil surface of Ouchy in Switzerland, a country where minorities warn of "linguistic cleansing", and a fairground in Luxembourg, the smallest and perhaps the happiest of the buffer states

An English wanderer on the fault line

■ From Page I

German-speaking region finds itself, as a result of the first world war, within the borders of a non-German nation state. There too the spoken language is a dialect, if anything less easily understood than Alsatian by a visitor from Germany.

But no one in South Tyrol tries to tell you it is a separate language "related to German." On the contrary, the majority unhesitatingly identify themselves as German-speakers and exercise their right to have their children educated in that language. They have to learn Italian as their first foreign language, but this is reciprocated by the Italian-speaking minority, who are obliged to learn German.

Every street and place name is written up in both languages, and it is actually the German-speakers

The frontier testifies to the success of France, and failure of Germany, in modern history

who are now contesting this, on the grounds that many of the Italian names are "artificial," invented under Mussolini. The administration is bilingual, with fixed quotas of jobs at various levels for the different language communities. The province enjoys broad autonomy, and the German-speaking Südtiroler Volkspartei is permanently in power. There is even an open, if not too serious, nostalgia cult for the days of Austrian rule: in a bookshop in Meran (Merano) I was able to buy a 1993 Franz Joseph calendar, inscribed *"Dem guten alten Kaiser zur Erinnerung."* [In rememberance of the good old Kaiser.]

Why are such things possible in Italy, but not in France? Because Italy was on the losing side in the second world war, and because the German identity of South Tyrol is associated with Austria rather than with Germany. Whereas in Alsace the moral burden of association with fascism fell entirely on Germany, obliging the local population to suppress their German identity and proclaim their Frenchness, in South Tyrol it fell, if anything, more heavily on Italy.

The Italian elite were anxious to dissociate themselves from Mussolini's policies, including his attempt to Italianise the South Tyrol by forced assimilation and colonisation. The local Germans, on the other hand, were largely spared any association with Hitler. It was only in 1943, after Italy switched sides, that Hitler annexed South Tyrol.

Before that, in 1939, he had agreed with Mussolini that each South Tyrol family should be given the choice (*die Option*) between emigration and complete Italianisation: an episode still remembered with great bitterness. After the war Austria, as an independent "liberated" state, was able to negotiate an agreement under which Italy allowed those who had emigrated to return, and promised regional autonomy. Although this agreement was not fully implemented until 1972 (after a period of low-level terrorism in the 1960s) it put the problem in a legal and psychological context different from that of Alsace.

One noticeable thing about my route was that it lay not only well inside the *limes* of the Roman empire, which ran along the Rhine and the Danube, but also outside the *Staatsgrenze* of present-day Germany. In fact I did make two day-trips into the federal republic, but they were rather in the nature of pilgrimages: to Aachen, where Charlemagne is buried, and to Trier, which was the capital of Roman Gaul. Both are today, and have been for many centuries, purely German cities. The fact that the linguistic frontier is located south and west of them testifies to the thorough Germanisation, in the Dark Ages, of what had been Roman frontier provinces.

That today's political frontier passes so close to them testifies to the politico-military success of France, and failure of Germany, in modern history. The French state expanded north and east into German-speaking territory during the 16th and 17th centuries, when Germany was divided and weakened by the Reformation and the Thirty Years' War. The creation of a strong German state in the late 19th century came too late to reverse this process, although its attempt to do so was defeated only with terrible bloodshed, in three successive Franco-German wars.

But while the French state absorbed significant numbers of German-speakers, it never incorporated all the French-speakers in Europe, except for a brief period after the French revolution. Such an aim would have meant little to Henri II, who occupied Metz in 1552, or even to Louis XIV, who gave France more or less its present frontiers. To them land might be of strategic or economic interest, but the language spoken by its inhabitants among themselves was of little consequence. Educated people could be relied on to communicate in a language of high culture – Latin, or later French – whatever their mother tongue might be.

In the Thomaskirche in Strasbourg is a magnificent sculpture by

Pigalle: the mausoleum of the Maréchal de Saxe. It shows France in tears, trying to hold back the marshal from his tomb. Her banners fly victoriously aloft, while her foes – lion of Holland, leopard of England, eagle of Austria – are hurled downwards in defeat. Saxe was the main French general in the war of the Austrian succession, in the 1740s.

Oddly enough in Brussels, in the Musée Communal, there is a print celebrating France's defeat and Austria's victory in that same war. It shows Charles de Lorraine, the Austrian governor, entering the city, and declares that

"Ce pais désolé sous le joug de la France,
jouit d'un doux repos après sa délivrance."

[This country laid waste under the yoke of France enjoys a sweet repose after its deliverance.]

For both sides to claim victory is not unusual. What interested me was the linguistic cross-over: Saxe, a German princeling, devoted his life to winning land and glory for the king of France, while the Belgian poetaster found it equally natural to denounce the "yoke of France" in French couplets.

Fifty years later things had changed. The French "nation" sprang into existence, got rid of its king, and set off on a crusade to liberate the rest of Europe. But while more distant and indubitably foreign countries were turned, first into sister republics, then into satellite kingdoms. France itself also expanded, especially into areas where French was spoken. Brussels found itself in the "département de la Dyle," Namur in the "département de Sambre-et-Meuse"; the Swiss Jura became the "département du Mont-Terrible," and Luxembourg, rather charmingly, the "département des Forêts."

But France had to retreat after Napoleon's defeat. In the half-century that followed, the three buffer states of Belgium, Luxembourg and Switzerland emerged in their modern form. In all three both French and German are spoken, alongside other languages, but the form of coexistence is different in each case.

Luxembourg is the odd one out, the smallest and perhaps also the happiest. It has its own national language, which is related to German and which everybody speaks. But nearly everybody speaks French and German as well. French tends to be used for official purposes, German for more informal ones. There seems to be no sense of compulsion about it, and no one takes offence at being addressed in one language rather than another.

Things are different, alas, in Belgium, which has just changed from a unitary state into a federation based on regions and linguistic communities. Flanders is Dutch-speaking, Wallonia French-speaking, and you know at once which you are in because notices and road-signs are strictly unilingual. Thus Liège, for example, is in Wallonia, but signposts to it in Flanders call it only by its Dutch name, Luik.

Brussels, the federal capital, is for the time being still bilingual. The small German-speaking community, in eastern Wallonia, does not have a region as such but does have its own schools and cultural institutions. In its area the signposts are bilingual (French and German), but the French names of German-speaking towns and villages have usually been scratched out. Otherwise the German-speakers seem happy with their lot, and have no desire to join Germany. "We are the only real Belgians," one of them told me. "If Belgium breaks up, we'll probably ask to join Luxembourg."

Certainly Belgium as such seems to inspire little affection in either of the other communities. The French-speaking Walloons now feel that it is run by the Flemish majority, while the Dutch-speaking Flemings still resent the way they were ignored and patronised by the French in the past.

In Brussels I saw a Flemish film, *Daens*, which explains this attitude very effectively. It is about a Flemish priest who stood up for exploited textile workers at the end of the last century, and founded the Social Christian Party which dominates Flemish politics. In the film all the educated and upper- class people speak French to each other, from King Leopold II to the Flemish employers and bishops, while the workers speak only Dutch. A parliamentary commission is sent to look into working conditions in the town of Aalst, where the film is set, but fails to discover the flagrant abuse of child labour because its members cannot understand what the workers are saying, and rely on the wicked foreman as interpreter.

Things are not that bad in Switzerland, but some French-speaking Swiss intellectuals have almost as big a chip on their shoulder. Their feelings were aroused especially by last year's referendum on the European Economic Area, in which the French-speaking areas all voted overwhelmingly Yes but the national result was still No. In fact, the German-speaking majority was itself deeply divided on the issue, with urban voters generally in favour, but many French-speakers began to feel they were prisoners in a kind of folksy Teutonic museum.

At least, that was the rhetoric. Behind it lay a host of local issues, with education, as always, being the most sensitive but signposts and street-names sometimes the most symbolic. French-speakers believe (though official statistics say the opposite) that German is gaining ground at the expense of French, and many of them have latched on to what is awkwardly known as "the principle of territoriality" in an attempt to stop it.

This means that the local majority has the right to determine the language that can be used in courts, schools and official notices. Such is already the practice in many parts of Switzerland, and there is now a proposal to have it enshrined in the constitution.

That looks uncomfortably like a "Belgification" of Switzerland. Not surprisingly, some Swiss legislators are having second thoughts. Fulvio Caccia, an MP from the Italian-

The lack of real communication across language barriers remains striking

speaking Ticino, worries about the loss of individual freedom implied in the territoriality principle, and fears that it "contains within it the germs of linguistic cleansing."

The echo of "ethnic cleansing" in former Yugoslavia is, of course, deliberate. By that standard Switzerland and even Belgium have done well, since they have largely avoided violence in working out their differences. Whatever happens to Maastricht and the EEA, it would be unduly alarmist to predict new wars anywhere along the Roman-German frontier. But the lack of real communication across language barriers, even within cross-cultural entities like Switzerland, remains striking.

At Salgetsch, where French gives way to German as you go up the Rhone valley, I had two conversations with two waitresses in bars less than a mile apart. One spoke French, the other German. Neither knew the other's language, nor saw any need to. "Either they speak French, or we make do with gestures," said the French one. "Oh yes," said her German counterpart cheerfully, "we understand each other all right, *mit Hand und mit Fuss*." And she mimed, with clenched fist and outstretched foot, the exact nature of the relationship.

The appeal of a narrow view of life

***Keith Wheatley** looks at the revival of Britain's canals and their colourful history*

DEREK AND Elizabeth Bradley walked the towpath of the River Trent with purpose. Ahead of them stretched nearly half-a-mile of boats, the biggest inland waterways show ever held in Britain; but the Bradleys only had eyes for canal narrow boats.

"I love the peace and sense of history on the canals, and the wild flowers going past so slowly at eye-level," says Elizabeth. "My husband is coming up to retirement, so we're here to look for a boat."

So were many other people. According to Stephen Goldsbrough, chairman of the Canal Boat Builders Association, the market is growing at a pace to make the recession-hit marine industry envious. Eight years ago the association had 40 members. Constructing narrow boats was a folk art almost on a par with coracle-building. Now there are 400 members, launching over 1,000 new narrow boats each year.

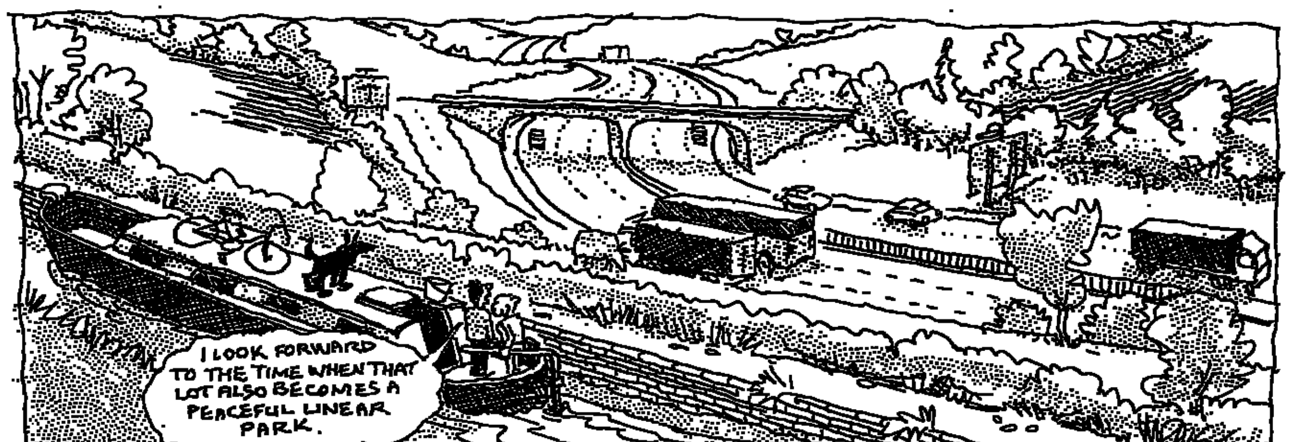
Notions of "camping-out" quickly vanish once aboard a modern vessel. "Anything you have at home you can put in a narrow boat," says Goldsbrough. "We've just done one with a complete onboard office equipped with computer and fax. Another client plans to spend a year touring the canal system painting in water-colours, so one end of his boat is a studio with big skylights."

Exactly 200 years ago Britain's fledgling canal system was enjoying a similar boom, although disapproving commentators of the time called it a "mania." In 1793 there were 62 canals in various stages of construction, one-third of all those ever built.

As canal enthusiast Anthony Burton chronicles in his new book, *Canal Mania* (Arum Press, £19.95) speculators drove prices up in a dizzy spiral. Newspapers reported that £140 shares in the Birmingham Navigation company were soon selling for over £1,000.

In 1792 prospective investors in the Grand Junction Canal were invited to gather at an inn in Stony Stratford. The excited crowd was so large that the meeting had to be moved to the parish church. A total subscription of £250,000 was needed but these eager "parishioners" subscribed over £1m.

A fortnight later a similar meeting to fund the Leicestershire & Northampton Union



overflowed even the town's church, and the meeting was adjourned to a nearby field. London-based investors employed agents who criss-crossed the country on horseback to give them a flying start on each new canal scheme.

Parliament, remembering the South Sea Bubble, anxiously debated canal fever. Members wondered whether the English countryside would not soon be more water than land. A motion was tabled proposing that canal construction be stopped at harvest time, since so many farm workers were being lured off the land to work as navvies.

The launch-pad of this feverish activity was the traditional grand tour of Europe by a young English aristocrat, the Duke of Bridgwater. For him the highlight of his tour was a visit to the Grand Canal of Languedoc (now known as the Canal du Midi), completed in 1681.

Voltaire had described the canal as *"le monument le plus glorieux par son utilité, par son grandeur, et par ses difficultés."* It was 150 miles long and contained all the features later found in the British system: aqueducts, locks and a tunnel. To a mine owner such as Bridgwater, the applications for moving his coal to market were obvious.

In 1760 Parliament gave approval for a canal to link the ducal collieries in Worsley with the factories of Manchester, half-a-dozen miles away. A young self-taught engineer, James Brindley, was engaged for its construction, which in turn nearly bankrupted the duke before it became a revenue-producing project.

The rest is history. Within 50 years Britain was a spider's web of linked – or parallel, and competing – canals. They flourished briefly as a commercial freight system. But competition from the railways limited demand and motorised road transport killed it.

As recently as the 1950s and early 1960s, canals were being filled in and abandoned. Since then numerous groups, aided by the British Waterways Board and enlightened local authorities, have reversed the decay; Britain's "lost" waterways are being revived.

Plans are in hand to restore nearly all the remaining 100 miles of disused canals owned by British Waterways. It will complete a network stretching from Taunton in the south-west to Lancaster in the north.

Landscapes, wildlife and industrial archaeology make the canal system a phenomenon almost better-viewed as a linear national park. "Slightly more than 50 per cent of the UK population lives near a canal," says Bridget Atherton of British Waterways. "They're not just for the enthusiast with a boat. Canals are so accessible. You don't need a large sum of money to walk along the towpath and enjoy it."

Stephen Goldsbrough, who took orders for six narrowboats at an average of £40,000 apiece during the Inland Boat Show, says that with around 23,000 boats on over 2,000 miles of waterway, there is still plenty of potential for growth, in the sense of physical space. Whether the intensity of access at particular spots may need regulating is another question.

"We're all of a sudden opening up a 200-year-old system to numbers of people that it can't really cope with," he says. "Tow paths, for example, built to cope with a dozen horses a day, are being worn away in some places. One looks at the Lake District spending money to dissuade mountain bikers from going there and it does cause you to wonder."

SPORT

Formula One sees trouble in the mirror

The grand prix elite are desperate to win back fans and sponsors and head off a threat from north America. ***John Griffiths*** *explains*

Back in control: Alain Prost leads the drivers' championship in a Williams, which uses electronic systems which will be banned next season

LAST weekend, at the German motor racing grand prix at Hockenheim, the elite teams of Formula One finally accepted that they had been overtaken by market forces.

At the end of a six-hour meeting during which, in a rare spirit of compromise, "every team gave up something", according to championship-leading team principal Frank Williams, they agreed to abandon, from the start of next season, much of the technology which has long been claimed as a large part of the sport's *raison d'etre*.

Fisa, motor sport's world governing body, still has to ratify the deal. But Max Mosley, Fisa's president, believes the result of the leading teams' sacrifice will be cheaper, closer and more enthralling racing.

In the Fisa scenario, more teams will be able to afford to compete effectively and drivers will once more be in total control of their cars, rather than sharing them with electronic systems. The leading teams had little choice. To have rejected the deal would have been to plunge grand prix racing deep into crisis at a time when the globalisation of television is allowing potential rivals for sponsors' dollars to emerge.

The most notable rival is north America's IndyCar championship in which last year's grand prix champion, Nigel Mansell of Britain, now competes. Even Frank Williams acknowledges that F1 needs to offer spectators more.

Critics argue that the sport offers poor value for spectators. The racing, they say, is often processional, admission prices are excessive and there is an unacceptably elitist attitude towards the paying public.

"Admission and a grandstand seat at Silverstone this year cost at least £117," says one observer closely involved with IndyCar. "At Laguna Seca (an IndyCar circuit) you simply can't spend more than $75 [£50.30].

"For that you get to see, and maybe speak to, the drivers and watch the crews working on their cars. At Silverstone I almost felt guilty being inside the paddock watching all these guys, who'd paid all that money, with their noses pressed to the mesh fence and hoping for maybe a glimpse of one of their heroes."

One small sign that grand prix racing is already responding to such criticism was the grudging parade of drivers reinstated after many years at Silverstone. But the sport still has a long way to go.

The attendance at Silverstone was 60,000 – half last year's crowd. Admittedly, Mansell was absent, recession in the UK had taken another year's toll and attendances at other grands prix have not been as hard hit. Nevertheless, the spectacle at Silverstone was enough to furrow brows at a time when sponsors are more determined to gain value for money.

Mosley says that the cost savings of the technology ban should be substantial. He estimates that some changes introduced at the start of this year, such as fewer permitted tyres and reduced practice times, will have saved each team between £1m and £2m by the end of the season.

He calculates that the new rules will save teams between £2m and £10m a year. The combined changes should thus lead to cost savings of 25-50 per cent. The benefits will be greatest for the smaller teams.

"At the moment, that team can go to a potential sponsor and almost certainly will be asked if it's got 'active' suspension. It's obliged to say No because it can't afford it, and the potential sponsor won't back it because it hasn't got it. That kind of problem will disappear with the new rules," says Mosley.

Almost certainly, the technology ban will have little or no effect on the outcome of future grands prix: Williams, McLaren and their ilk are still likely to be winners because they will continue to work more effectively and efficiently with the technology and resources available.

At best, the gap between the first and last cars will close. But Frank Williams says Fisa may have miscalculated on technology costs. "In reality we haven't spent a great deal of money on our technology; it's been mainly brain power."

And he warns that there is a potential downside. A lot of companies who currently sponsor grand prix racing, such as computer and electronics groups Bull (Williams) and Hewlett Packard (Benetton) are heavily technology-based.

"Clearly they are not pleased and will have taken note", says Williams. Should companies like these reduce their involvement, grand prix racing is likely to become more dependent for its funding on companies with no direct involvement in motor sport or the motor industry.

Furthermore, sponsors may seek to impose on teams cost-containment of their own. Warning signals are already flying. Philip Morris, whose Marlboro livery is synonymous with that of McLaren, is one of motor sport's most consistent supporters.

In the last few weeks Walter Thoma, president of Philip Morris Europe, has made thinly-veiled criticisms of those leading teams, by implication McLaren included, who have sought to preserve the status quo.

"It is important that we understand the need for cost containment in Formula One. There are one or two self-interested groups within the sport that pay no attention to the world recession."

He also maintains that there must be containment not just of the teams' costs and their technology, but of the whole infrastructure. "Why must there always be three-day events? Can some not be run on a Saturday and a Sunday? Why not run shorter races? How much shorter should they be? Is the show pricing itself ahead of inflation? ... when we look at the future, we must consider the totality and not just isolated issues."

On the surface, when compared with IndyCar, grand prix racing certainly appears self-indulgent. As David Peevers, publisher of *IndyCar 93* magazine, points out: "The very top IndyCar teams are on budgets of maybe $15m a year, perhaps one-fifth of a top grand prix team's. And you can buy it all off the shelf, from people like [UK-based] Lola for chassis and Cosworth or Ilmor for engines. You're talking about maybe $500,000 for the car, $50,000 for an engine – and basically that's it, you can be out racing. It should be about two drivers pitting their skills against each other, not sitting there on the grid worrying about which of the computer programmers programmed their traction control that morning".

Peevers' belief that IndyCar racing is more exciting than grand prix appears to be shared by television. ITV claims that UK audiences of 3.5m watch its Indy offering each week. That begs the question of how big the "Mansell factor" is, and whether interest in IndyCar racing outside north America will disappear when Mansell retires or returns to F1.

A litmus test of whether Indy really is a potentially serious rival may come in October. The IndyCar "circus" will use this weekend's championship round in Michigan to finalise an announcement, likely to be made next week, that they intend to stage a non-championship race, Mansell included, at Brands Hatch on October 10.

There are some difficulties: under arrangements within Fisa, Indy cars can race only on ovals if they venture outside north America. Brands Hatch is not an oval, but few expect Fisa to stand in the race's way; the exercise is too fascinating for all concerned with motor sport. Will it be a sell-out? Will it, in the end, be as nerve-wracking "in the flesh" as its proponents claim it is on television?

As the architect of the grand prix technology ban, Mosley says he does not see IndyCar as a threat. Sponsors' budgets have been trimmed back this year and face further cuts in 1994. The prospect of sharing the cake with an emergent international rival should be worrying. But Williams says there is little "cross-pollination" in terms of sponsorship and that IndyCar will remain too parochial to impinge on grand prix's financial patch.

In any case, he says, there are "vast numbers of substantial potential sponsors of F1" which grand prix has not yet learned how to tap. In spite of grand prix's slick public image, he says, its marketing skills still lag far behind its engineering capabilities.

In Mosley's view, F1 has been saved from itself by banning, before they arrived, such innovations as computer-controlled four-wheel steering. But once the recession is over, Mosley himself wants the technology chase to continue.

He wants to rearrange the technical regulations so that research goes into areas such as fuel efficiency. He wants to see intensified work on aerodynamics, particularly in the area between the bottom of the chassis and the ground.

He wants to see technological development of fuels and fuel efficiency. Down this route, he argues, lies not just better racing but a contribution to the world's energy problems, and the continuing support of its motor industry.

FOOD AND DRINK

Cookery/**Philippa Davenport**

Hearty fare to bring home the harvest

THE LANES are alive with the sound of machinery as combine harvesters chomp their way through the fields, devouring the grain rapaciously all day and half the night. Clank, march and munch in a blaze of headlights.

Although the manner of harvesting has changed greatly down the years, harvest foods remain much the same. Lunch in the fields, now as then, usually includes bread, cheese and some sort of pickle or relish. There are meat pies for the fortunate and fruit cake for all, washed down with home-made lemonade or ginger beer.

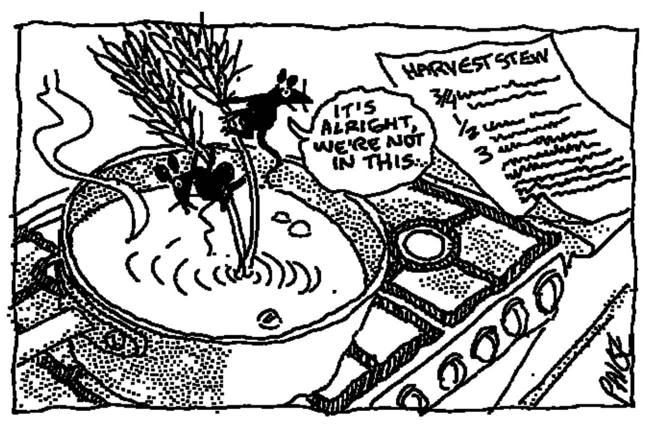
At the end of the day, as likely as not, there will be a good, honest stew with plenty of meat and rich gravy. It is comforting and sustaining for the workers and a sensible choice for the cook because it is easy to prepare, can be left to bubble gently unattended, and will keep without spoiling if timetables overrun.

Rabbit is the classic choice of meat, not least because this is the season when they are best to eat and the farmer is keen to take his revenge. After idle months devoted to growing fat and sleek on his corn, the safe world of the crop is felled and rabbits are forced to flee the scene of their crimes. It seems only just that they should run into the sights of waiting guns before being popped into the pot.

HARVEST STEW
(serves 4-6)

This is an old favourite given an aromatic new twist with lemon and fennel. Marinating makes sense, irrespective of the age of the rabbits. Not-so-youthful creatures will need tenderising and juveniles will benefit from added flavourings.

Ingredients: 2 rabbits grown plump on harvest corn, cut into neat portions (save the heads, rib cages, belly flaps and other trimmings for stock); 3 fennel bulbs weighing 6-8oz each, trimmed and cut into 6-8 wedges each (save the feathery fronds for garnish and add the other trimmings to the stockpot); 2 lemons (one separated into juice and zest, the flesh of the other chopped into tiny pieces); 1pt stock made from the rabbit and fennel trimmings; 5 tablespoons olive oil; generous ½ teaspoon fennel seeds, bruised; 2 garlic cloves, chopped very finely; a tablespoon or so of flour; 1 x 50 gram tin anchovy fillets, drained and cut into snippets; about 3 tablespoons chopped parsley, preferably flat-leafed.



Method: Make the stock and marinate the rabbit in three tablespoons each lemon juice and olive oil mixed with the bruised fennel seeds, finely-chopped garlic and plenty of coarsely-ground black pepper. Leave in a cold larder for 24 hours, turning the meat occasionally.

To cook, drain the rabbit joints well, reserving the marinade. Dust with flour and colour in batches in the remaining two tablespoons olive oil in a shallow, heavy-based stewpan or flameproof casserole. Remove and reserve the meat. Then, sauté the fennel briefly until streaked with gold. Set the fennel aside.

Pour on the stock, which should be hot, and stir to scrape up the flavoursome sediment from the pan base. When the liquid is bubbling well, return the rabbit to the pot, add the marinade and the finely-chopped lemon. Bring to a bare simmer. Cover tightly and cook over the lowest possible flame for at least 1½ hours. If the harvesters' supper has to be delayed for whatever reason, the stew can be left to cook for up to 2½ hours without spoiling – although a fire-retardant mat could be advisable to protect against sticking and burning.

Fifteen minutes before the end, check seasoning and add the prepared wedges of fennel to the stew. Push them down between the pieces of meat, immersing them in the gravy to heat them through speedily.

Finally, chop and mix the feathery fennel fronds with the parsley, the finely-grated zest of one lemon and the snipped anchovies. Scatter the mixture over the surface of the stew for added savour just before bringing the dish to table.

Plain boiled potatoes or noodles go well with this. Alternatively, omit the anchovies from the garnish and partner the stew with a crusty loaf of home-baked bread and a pot of anchovy butter.

ANCHOVY BUTTER

Serve this, as described, with harvest stew or spread it on toast to eat alone or to slip under poached eggs or grilled tomatoes. Small pats of anchovy butter are also excellent for topping grilled steaks, for enriching fish soups, and for anointing grilled fennel.

Ingredients: 4oz butter, at room temperature; 1 x 50 gram tin of anchovy fillets.

Method: Dice the butter and put it into a soup plate. Add the anchovies, cut into snippets, and mash them into the butter with a fork, gradually working in half the oil from the anchovy tin.

Pack the butter into a pot, smooth the top, cover, and chill until shortly before serving.

Scullery skulduggery

Nicholas Lander on the odd case of the photocopied recipes

ON THE desk in the busy office of one of London's top chefs sits a pile of correspondence between the restaurant's solicitors and a Citizen's Advice Bureau and an envelope containing a week's wages and a P45 awaiting the return of a young chef.

The restaurant's head chef, who has a quite distinctive style, would be only too happy to hand these over personally if he could receive in exchange what he believes is rightly his: the copies of the recipes made without permission during this particular young chef's four-week apprenticeship.

In many other trades and industries this story could easily appear under the headings "industrial espionage" or "theft of intellectual property" but in the catering business such phrases cannot be used. Recipes set restaurants apart and fill tables but it would take supreme arrogance to lay claim to "an original recipe". Just by changing small amounts of the basic ingredients anyone can formulate another "original recipe". Often what holds back young chefs is the lack of a repertoire of proven dishes. One answer could be to copy them.

So how can you protect your own recipes? Unless, as chef, you are going to make everything yourself, you have to share your recipes with your staff and, to maintain their consistency, put them down on paper or on floppy discs (word processors have been almost as big a boon for the busy head chef as the food processor for his commis chefs).

As head chef you must accept that you only achieved your exalted position by working first under a number of other chefs who were prepared to pass their knowledge on. On the way up you can take advantage of the catering industry's high turnover of personnel. But once you reach the top this becomes less of an advantage and more of a hazard.

Chefs around the world try to protect themselves in two ways. The first is the trust that they show their staff and which they hope is reciprocated. In a busy kitchen – which may be densely populated from 8am to midnight seven days a week – it is hard to conceal anything. The names of your suppliers, your recipes and even your projected gross margins are open secrets. Equally, it is hard for a spy to find a quiet corner to scribble down the kitchen's secret formulae.

But if you do manage this once you are unlikely to repeat the success. Although an impressive curriculum vitae helps secure promotion, it is not as important as a good reference. In their evaluation of their staff, chefs are frighteningly honest and always willing to air their opinions.

In this particular case, the head chef checked the applicant's references with her former employers and put her to work on a four-week trial period on the basis that, if a permanent position became available, she would stay for a minimum of a year. There were, initially, the usual difficulties, mainly to do with the speed of her work and one or two complaints from fellow chefs that she was spending too much time copying recipes rather than working from the master recipe file. When she was confronted, the apprentice said she had just copied basic pastry recipes rather than anything more significant.

The restaurant later deduced that the young chef had managed to copy approximately 150 of the restaurant's recipes by duping the rest of the kitchen into thinking she had the head chef's permission. She did this in the early evening when the proprietor went home between the lunch and dinner shifts. When the head chef, impressed by the applicant's obvious passion for bread and pastry, offered her a full time job he was therefore most surprised to be rebuffed. The apprentice would no longer commit herself for a year, as she had originally promised she would, and walked out.

The head chef was naturally hurt and saddened by his misplaced trust and mistaken professional judgment. When, shortly afterwards, he met fellow chefs including Albert Roux, Rowley Leigh, Simon Hopkinson and Alastair Little around the lunch table one suggested recourse to lawyers, which has yielded the return of some recipes, but the others could offer nothing more concrete.

Even the best kitchens, it seems, have failed to create a recipe that will replace trust in one's fellow man.

Appetisers

SOPHISTICATED Australians do exist. Two wines to seduce classicists intrigued, but still puzzled, by all the ballyhoo about antipodean vintages are subtle, smooth South Australian reds which will not jolt any lover of fine claret. Henschke's Abbott's Prayer 1990 (£11.64 from Lay & Wheeler of Colchester) is a gorgeous blend of Merlot and Cabernet that is quite ready to drink but utterly convincing for the end of the century, too. Greg Trott, of the Wirra Wirra winery, produces another top-quality, ecclesiastically-named Cabernet blend in the prize-winning form of The Angelus 1991 (£7.99 from Oddbins). Decant and admire.

* * *

Whatever happened to rioja? We all loved it in the 1970s when it was cheap; but now that emergent Spaniards have pushed the price up, rioja has languished somewhat outside its native land. The Rioja Gran Reserva Club (managed by Adnams of Southwold on 0502-724 222) is an attempt to expose some of the finest mature rioja to British palates. There is no membership fee but orders must be for a minimum of a case (although two mixed cases are available). Most refined and "modern" of the selection on offer until August 31 is Campillo 1982 at £172 a case – but do we want modernity of our rioja? Rather more traditional in both flavour and structure is the fragrant Carlos Serres 1985 at £141. Bargain hunters might consider the wide range of "oaked" (although not necessarily barrel-aged) cheap Spanish reds. Victoria Wine's Casa Barco at £2.65 could do the trick for rioja nostalgics.

* * *

Bravely ignoring vintage port prices in the saleroom, the shippers have launched the 1991s – and jolly nice they are, too. Of big shippers, only Taylor has declined to "declare," a decision presumably not unrelated to the fact that 1992 was the company's tercentenary year. Other promising examples at a recent London tasting included a well-priced Smith Woodhouse, a distinctive Niepoort, an exciting Quinta do Noval, a suave Graham, a compact Dow and a lovely, dense Warre. Merchants making special offers include Adnams of Southwold (a six-bottle box of Dow or Warre is £80) and Berry Bros of London SW1.

Jancis Robinson

TRAVEL

Where the quiet inlets lap the green hills

***Peter Marsh** finds a cure for his worries beside the Kingsbridge estuary in south Devon*

BRITAIN is governed by charmless incompetents; you are seriously worried by the £50bn budget deficit; Ted Dexter is more annoying each day.

A cure for all these concerns is to sit outside the Old Stable Kiosk in south Devon and gaze at one of the most tranquil scenes in England. You get to the Old Stable by taking a five-minute ferry ride across the mouth of the Kingsbridge estuary from the pretty town of Salcombe. A short walk from the landing stage is a small shed-like building next to a grassy hillock overlooking the water.

Inside this ancient structure, converted into a café, are two elderly women with pinafores who will smilingly serve you a cup of coffee or an ice cream. Additionally, to take home for supper later, you can help yourself to locally grown potatoes and tomatoes, leaving the money in a jar.

From your wooden bench on the hillock, you take in the small, white houses of Salcombe climbing up the hill on the other side of the water. There is the great expanse of the estuary itself, its various inlets pushing back like the protrusions of a star fish into the green background of gently rolling hills.

Ahead of you is a mass of sailing boats, gently cutting to and fro across the inlet, and over to your right the famous Salcombe lifeboat, its proud yellow and blue hull at rest above the bobbing waves.

Further away, towards the open sea of the English Channel to your left, the undulations of the land on the other side of the estuary are somewhat craggier, with perhaps the faintest hint of mist blowing in.

Salcombe in Devon: small, white houses climbing up the hill, a mass of sailing boats, gently cutting to and fro across the inlet

Below where you are sitting is a small beach. It is difficult to tell from here, but its sand has just the right clingy consistency to make quite grand castles, or even miniature cathedrals. Small figures race about.

It is a blissful spot. I must have sat there 20 times and each time leaving is more difficult. The main point of going to the South Hams area of Devon is to visit places like this. The area is exceptionally beautiful. Perhaps because it is some way from the main tourist towns and has few big hotels, it has not been spoilt by visitors.

It is apparent from the restrictive nature of local planning rules that the planning officers of South Hams District Council want to keep things this way. I have never met them, but assume they are tough-minded individuals who would sooner die than allow the merest hint of mass tourism to sully their region.

The best way to appreciate South Hams is to rent a cottage or house for a short spell. The tourist office at Kingsbridge, the main town of the region, keeps a useful list. It is from Kingsbridge, too, that you can take boat trips on the estuary that dominates the area. Contact the River Maid ferry company for details.

Many of the special places in the area offer a similar combination of rolling hills, sky and water to that found at the Old Stable. A few miles to the north-west of Salcombe is the coastal village of Thurlestone, which boasts one of the most scenic golf courses in England.

You do not have to be a member of Thurlestone golf club to follow the cliff-top path snaking round the course overlooking the sea. If you can, go there on a rough, grey day when the waves are battering the rocks and the sea looks like frothed milk.

Slightly to the north of Thurlestone, connected by a sandbar to the small village of Bigbury-on-Sea and isolated at high tide, is a grass-covered hunk of rock known as Burgh Island. It is a haven for sea birds; there are virtually no buildings apart from a highly-regarded hotel.

Burgh Island exerts a powerful and memorable fascination. Studied at length at different times of the day through binoculars, the island's contours and colours seem to change depending on the position of the sun, the volume of cloud and the spray of the sea. Watching these slow changes over a period of hours is little short of dramatic.

There is one other place worth mentioning: From the village of Aveton Gifford walk along the tidal road that takes you next to the lonely, glorious River Avon in the direction of the sea. Watch out for bird life and also the incoming tide. A cap of mine blew off in this spot some years ago. It is probably still there, rotting in the mud and the reeds. I cannot think of a better resting place.

Speed to Calais and miss France

KEEPING OFF the motorways pays immense dividends in France. My preference at Tours, for example, is always to take the road for Le Mans, for a drive to the Channel that is both shorter than the motorway route to Calais and infinitely more entrancing.

Mind you, at Le Mans itself you can miss the old town altogether by taking the ring road. Le Mans cathedral is breathtaking: half Romanesque, half Gothic.

A countryside of polled willows, poplars, meadowlands and watermills separates Le Mans from Alenon, the birthplace of St Theresa of Lisieux, who died of tuberculosis in 1897 aged only 24.

Something to relish is the cathedral at Ses, 19km further north. The road curves around the city and climbs up to this glorious building with its twin, crocketed west spires, its flying buttresses and gargoyles, one of which vulgarly vomits the rainwater. The buttresses, added in the 19th century, are the sole addition to the building since 1330.

Well worth visiting is the Haras du Pin, a few kilometres due north of Ses. Here is France's national stud, founded by Louis XIV's chief minister, Colbert, in 1665.

Argentan, 12km east, is where the battle of Normandy ended on August 19 1944. Here, too, Henry II learned that Thomas Becket had excommunicated him.

The English connection grows increasingly stronger as you approach the coast. At Falaise in 1027 William the Conqueror was born William the Bastard. His father was Duke Robert III of Normandy, known as Robert the Devil, his mother a tanner's daughter named Arlette.

In the white-walled, half-ruined castle the guide will show you the window through which the duke first spied Arlette washing her clothes in the river, though the same guide usually adds that the window was only constructed six centuries later.

Caen is not a port, and to reach the ships you need to drive a little further towards Ouistreham. Ouistreham has a fortified 12th century church. It also has a casino and a marina, as well as excellent restaurants.

James Bentley

■ *James Bentley's* The Gateway to France *was recently published by Penguin at £8.99.*

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PROPERTY

The beauty that makes Wales so hard to resist

***Gerald Cadogan** finds cottages the best bet in a country closer to England than France*

NEW roads make it easier than ever to reach Wales – from middle England, especially. With a short drive, you are in a foreign country where names are hard to pronounce and people talk and sing a language incomprehensible to outsiders.

Far closer to England than France, Wales is just as stimulating a change, although there is one hitch. If you are English, there is a chance that a tiny minority of Welshmen – who do not like English people buying second homes there – may burn your holiday cottage. Still, it happens less than it did a few years ago.

How do you avoid such a fate? As one Welshman told me: "Do not pay over the odds for your house so that you are contributing to a property market that many local people cannot afford. And do not arrive with a car load of groceries from an English supermarket. Use the local shops."

Occasional arson apart, the country is glorious. North Wales is like a miniature Scotland without the midges and Anglesey flat like Ireland, with low stone walls around white-painted cottages. There is a noble parade of castles, ranging from the mighty creations that Edward I built at Conwy and Caernarfon to subdue the country to oddities like the Normanesque granite pile of Peurhyn, erected last century on the profits of a neighbouring slate quarry.

On the the A55 north Wales highway, it takes barely 40 minutes to reach Anglesey from Liverpool and Manchester, and the A483 connects with it to give a fast link for drivers from Oswestry, Shrewsbury and points in England via the A5 and M54. West of Shrewsbury, the Welshpool bypass is about to open, while south Wales waits for the second bridge over the Severn to end delays at the present bridge on the M4.

Cottages are the best bet in Wales. Houses of manor, rectory or large farmhouse size are few and tend to be 19th century, while stately homes are still scarcer. This is because, until the industrial revolution, Wales never had the wealth that England enjoyed. Thus, grand houses were not built.

'Don't arrive with a load of groceries from an English supermarket'

For potential buyers, where better to start than the former chapel and chapel house at Dernol, between Llangurig and Rhayader in the Wye valley of mid-Wales. On offer from Morris Marshall & Poole for £44,000, it could not be more Welsh. The stone chapel with slate roof has outline planning permission for conversion with the adjoining cottage as a single house. But use as licensed premises is forbidden.

From the same agent for £110,000 is a 1907 Arts and Crafts-style house in the middle of Llangurig Penybont. The price includes a coach house (if that is not sold separately for £25,000).

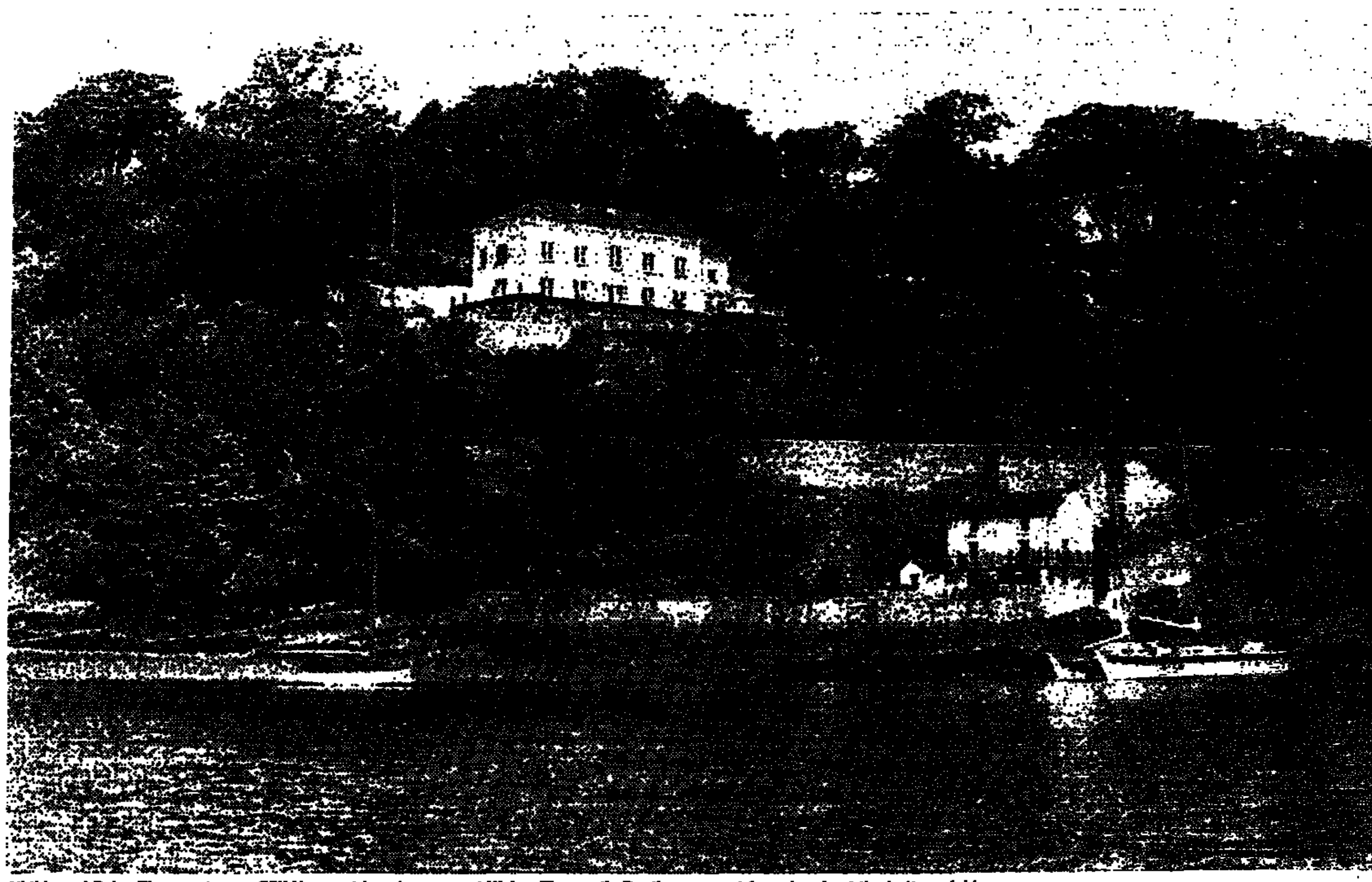
On the opposite (west) side of the Cambrian Mountains, Hafod Mansion Gardens in Pontrhydygroes 14 miles from Aberystwyth, has specimen trees and two acres of walled gardens. Price: £138,000, from Shearer and Morris. And in Cemmaes, the Machynlleth office of the firm offers the Georgian Aberhiriaeth Hall with five bedrooms for £220,000.

South from Aberystwyth in the Cothi valley, Knight Frank & Rutley has a farmhouse and two cottages at Edwinsford as three lots with fishing (two rods per property) on the river. The Cothi is especially good for sea trout. Prices are £150,000 to £250,000.

In west Wales, Cliff House at Laugharne was re-built in 1986 after a fire. It has views across the Taf estuary and Carmarthen Bay to Pembrey Sands and Worms Head on the Gower peninsula while below, on the water's edge, is the Boathouse of poet Dylan Thomas. Agent Terry Thomas is selling it for £250,000. On the nearby Towy estuary, the same agent offers the Edwardian brick Pilroath at Llangain for £205,000; it also has views of Carmarthen Bay.

Inland, near Abergavenny, Elstons has Pantybeiliau, an 1840 late-Georgian stucco house with eight bedrooms, five bathrooms, walled garden, paddocks, and views over the Usk valley towards the Black Mountains. Near the Roman site of Caerleon and five miles from Usk is Llwyn Celyn (also Elstons), another stuccoed property with nine bedrooms but just three bathrooms. Both houses cost around £500,000, depending on how much land is included.

If you want to fish on the Usk, Mardy Cottage at Llanwenarth Citra, near Abergavenny, is not a cottage but a house with half a mile of single-bank angling. Halifax is the agent and the price around £185,000.



All this and Dylan Thomas, too ... Cliff House at Laugharne, west Wales. The poet's Boathouse – not for sale – is at the bottom right

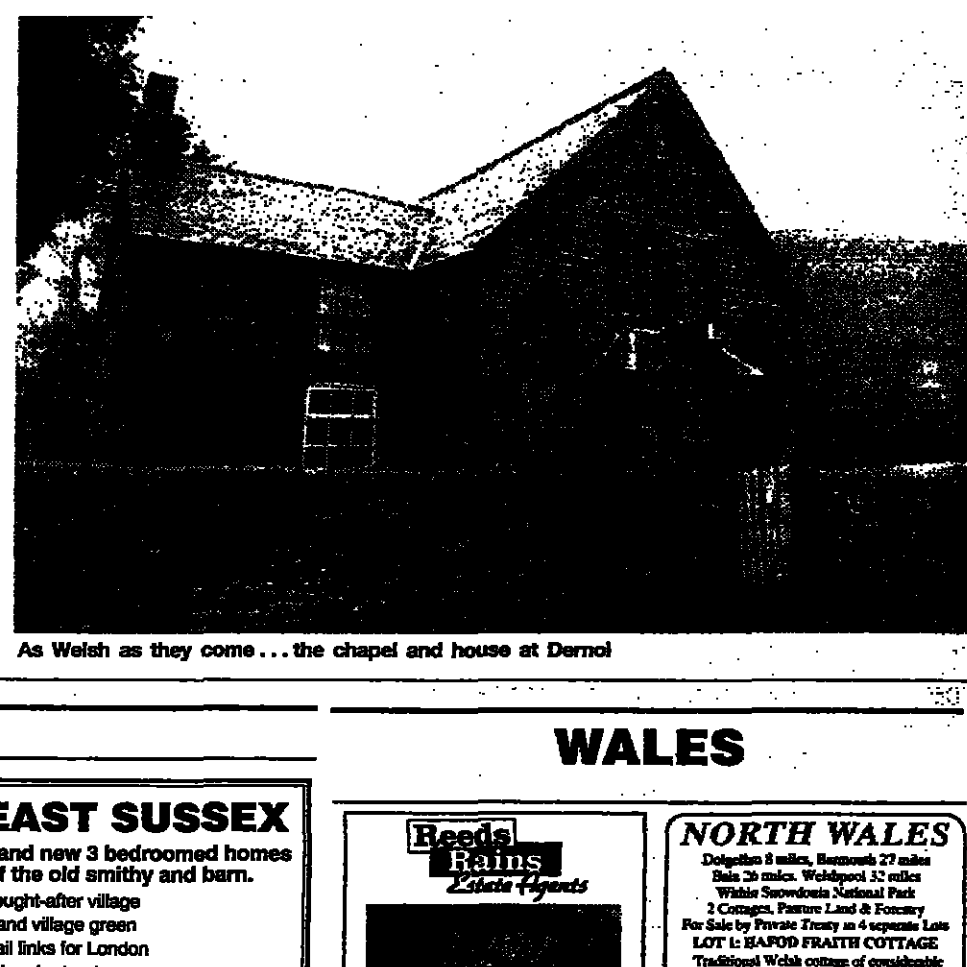
Llanarithon, at Howey near Llandrindod Wells, is a brick and stone farmhouse on the Welsh borders. It is detached from its farmland and has only eight acres (for £225,000, from Knight Frank & Rutley or Russell Baldwin & Bright). But up to 175 more acres, and modern agricultural buildings, are available if you want to farm.

In north Wales, Hillway is a 1930s' seaside house with nine acres overlooking the Dwyryd estuary at Morfa Bychan, near Porthmadog . Gardens flourish in this sun trap and the price (from Jackson-Stops) is an attractive £185,000.

If you want high ground and a studio barn, the same firm offers Creua, at nearby Llanfrothen, for £175,000. A 7.25-inch railway, built by the present owner, runs round the garden and is also available – but the locomotives are not.

Further inland is Hafod Tan-y-Graig, in Snowdonia national park. This substantial Victorian gabled house in seven acres of woods and garden is offered by Jackson-Stops for £245,000. Here, you can fish for trout in the river Edno, go for walks, climb mountains – and see what a beautiful country Wales is.

■ *Further information from: Elstons, Usk (0291-672 138); Halifax, Abergavenny (0873-855 141); Jackson-Stops, Chester (0244-328 361); Knight Frank & Rutley, Hereford (0432-273 087); Morris Marshall & Poole, Llanidloes (0686-412 567); Russell Baldwin & Bright, Llandrindod Wells (0597-824 915); Shearer & Morris, Aberystwyth (0970-625 020) and Machynlleth (0654-702 472); Terry Thomas, Carmarthen (0267-235 330).*



As Welsh as they come ... the chapel and house at Dernol

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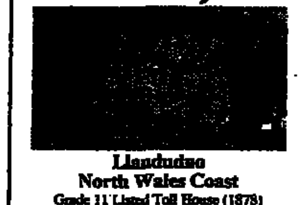

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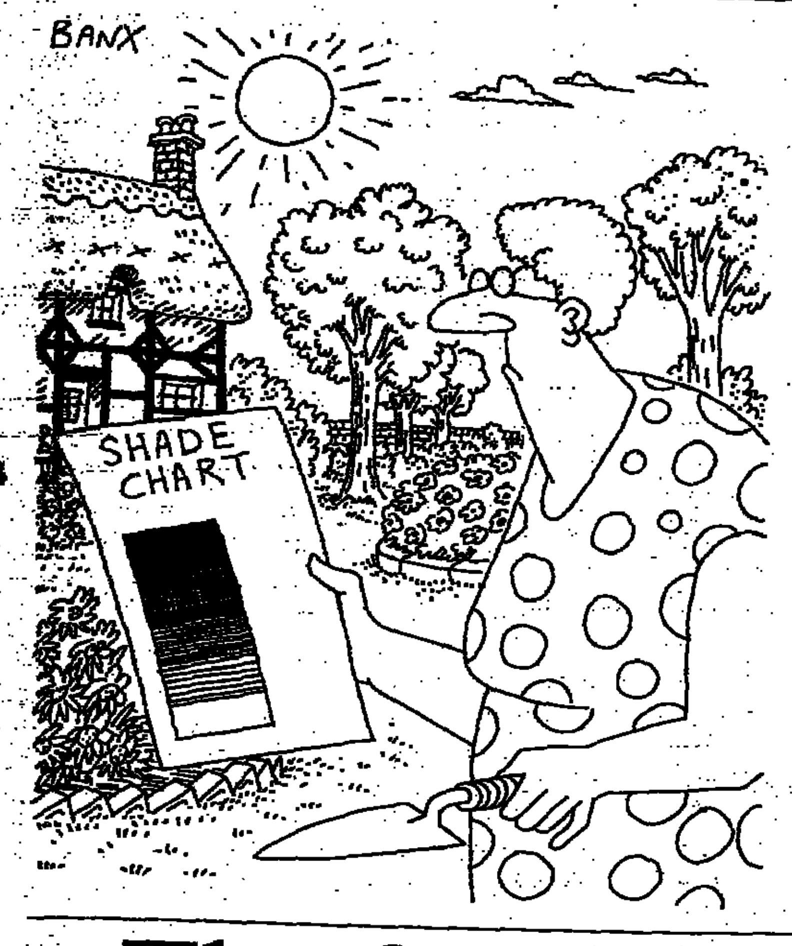


Shady plants come into the open

***Robin Lane Fox** concludes that the sun is less of an enemy than many growers have feared*

PERHAPS it is this wonderfully cool summer, but I am learning to question one of the great divides in gardening. We all ask: does a plant need sun or shade? Catalogues mark the great divide with little symbols; dictionaries are keen to tell you the answers. As a result, I have been scared of whole groups of plants because they are supposed to prefer a shady existence. As a non-shady character, I cannot give them that. I now find out that we are freer than we have believed, behind barriers of our own making.

Some of these barriers may have formed round my misunderstandings. I am sure I was once taught that auriculas needed shading when, in fact, these wonderfully ringed and marked forms of primula are very much happier in full sun. Perhaps I muddled the instructions. But I did not muddle them for the yellow-flowered forms of clematis which are coming into their best.

Popular wisdom tells us to plant them in semi-shade, preferably facing east: I still have it on their labels. I also have the plants. One of them, a plain Orientalis, is doing its semi-shaded best, striving for more sunlight, invading the eaves and showing, on the last count, three flowers facing boldly to the east.

My other plant is the vastly better Bill Mackenzie form, which was noticed several years ago by Valerie Finnis in the gardens of that great Surrey plantsman. Facing due south, Bill Mackenzie also has scaled the drain pipes; in full sun, he is smothered in flowers every year and shows not the slightest sign of scorch.

Other re-thinks are more dramatic. In the next few weeks, one of the charms of gardens in the west of England and Ireland are the dieramas and their curving wands of deep pink or white flowers. Their popular name is Venus Fishing Rod, and they arch over on to the soil like offshoots from some heavenly cast. The flowers are like small gladioli, borne profusely on long stems above leaves like rushes at the edge of a pond. Admittedly, the leaves turn brown and linger on among the greenery; but the plants are enchanting, fit for a goddess who would angle, no doubt, in the nude.

Everyone says a Venus Fishing Rod likes damp soil, and most people suggest semi-shade because of the imagery of water and so forth. Wistfully, I have avoided them in my dry, stony garden – but I have just seen a magnificent clump standing in full sunlight on just as stony a soil in the middle of Broadway, in the Cotswolds. Its owner confirms that there is nothing wet or shaded about the position. Without any umbrella, Venus is fishing happily and flowering madly in her beautiful white form.

> *'Venus is fishing happily and flowering madly without an umbrella'*

Why, after all, do plants need shade? In Britain, very few need it to protect leaves from too-fierce sun. What they actually want is water, and I find that occasional cans of it will bring down all manner of barriers.

If you feed your garden properly in summer you will, in any case, be watering these plants with Phostrogen from the hose or can, applied to the roots and leaves. On dry days, feed them in the evening; and by wetting them at that time, you will fortify them for exposure to all but the fiercest sunlight the following day.

Beside paving stones, the old dogma about shade is often mistaken, too, and for similar reasons. Leaves can remain in sun if roots can run coolly under a stone parasol. I find that sun on these terms is entirely acceptable to many epimediums or to schizostylis, with their lovely pink and white flowers.

Even their expert growers told me that this experiment was stupid. Nonetheless, they have flowered and spread for three years in my garden without any light shade to protect them. They want cool roots rather than sheltered leaves.

In most areas, shade is a mixed blessing, anyway. To the purists, it means leaf mould, the damply-scented floor of a tall wood, or lightly-filtered light along the banks of a passing stream. Collectors in the wild are likely to put the indiscriminate label of shade-lover on plants which they find in these natural conditions. Most of us cannot match them. For us, shade means scrappy soil beneath a neighbour's sycamore or the backside of an unfavoured urban plot. Why should anything prefer these conditions to decent soil, within range of a hosepipe, in fresh, open sunlight?

On either side of any divide, there are always firm exceptions. My point is that the frontier itself is arbitrary. Many good plants will flourish better in the open with water than in the half-light among another tree's roots. In both our kingdoms, human and vegetable, the most frequent reason for "preferring a shady place" is identical: drink.

The fear that won't go away

***Stuart Marshall** explains how women motorists can cut the risks of being attacked*

STATISTICALLY, the chance of a woman motorist being attacked in her car is said to be minute. But the fear is real. Incidents may be few but the results can be devastating.

There is no complete answer, of course. But all women can take sensible precautions to reduce the risk of either breaking down or being mugged in their own car. Some are so simple they should be second nature, as routine as fastening your seat belt before moving away.

■ Always drive with the doors locked. Then, a thief cannot open one when you stop in traffic and steal your handbag – which should not be visible from outside, anyway. Worse still, he might get in and hijack the car. Because alarms and engine immobilisers are making them more difficult to steal, hijacking is becoming popular with thieves in the US. Inevitably, it is only a matter of time before it happens in Britain.

■ Never park, even for a minute or two, outside a shop, without locking the car. One in five of the almost 1.5m cars broken-into, stolen or driven away each year have been left open, some with the keys still in the ignition. Making life easy for a thief is irresponsible. Insurance companies now take a hard line on claims for losses from unlocked homes. Cars are no different.

Next, breakdowns. Some, such as running out of petrol, are really inexcusable. Yet, on a typical day, the Automobile Association alone answers 100 calls from members who have done so. Never ignore a low fuel warning; go to the next garage. And remember that sensible drivers fill up long before the light comes on.

Check the tyres now and again. Roadside wheel changes are usually avoidable. If one tyre looks a bit soft, just putting in more air is asking for trouble because sudden deflations nearly always start with a slow loss of pressure caused by a nail. The leak can only get worse as time goes on and could eventually leave you stranded on a motorway when an under-inflated, overheated tyre blows out.

I suppose I am old-fashioned but I believe that, legal obligations apart, motorists are morally bound to keep their cars in safe mechanical condition. Regular servicing is essential.

Too many people do nothing to their cars except put in petrol and call out the rescue service when they break down.

Just as there is active and passive car safety – not getting into dangerous situations and surviving a crash, in that order – there is active and passive car security. Active security is using your head to avoid trouble; passive security is mostly about car alarms and engine immobilisers.

Increasingly, alarm systems are being fitted as standard by car manufacturers but according to Ross Group, a maker and installer, many women are confused. What, they ask, is the difference between an alarm and an immobiliser?

Answer: an alarm sets off a siren and flashes lights if a thief tries to get into a locked car. An immobiliser is an electronic cut-out to prevent the engine from being started. The best and most expensive systems have both. Other questions include:

■ Can I protect myself when returning to my car at night? Fit a remotely controlled alarm like Gemini 5000 with a distress button. (Cost £199 to £349). You can set off siren and flashing lights from a distance if you suspect someone is lurking near your car.

■ Is there any way of telling if someone has tried to break into my car so I can be extra-careful and perhaps park it somewhere else in future? Yes. An alarm with a status indicator will even show which protective circuit has been tampered with.

■ Can I leave my children and dogs in the car for a moment after setting the alarm without them accidentally making it go off? Some alarms have remote sensor disconnection (RSD). For a short period, it will go off only if someone tries to force the doors.

■ How can I go about fitting an alarm? It depends how much security you want. Do-it-yourself installations start from around £60, or a specialist will fit one at his workshop or your home. Call Homefit on freephone 0800-378 400 for details. If you plan to have an alarm fitted, consult your insurance company. Many offer discounts on both premiums and the cost of installation.

WHEN I HAD an Audi 80 cabriolet on test in June, the weather was so awful that the hood never got opened, *writes Stuart Marshall*. Early July was better, though, and the power-operated top of the Vauxhall Astra 2.0i convertible (above) was open more often than shut.

This lively car rode well, shook only slightly when a wheel hit a pothole and remained perfectly habitable, hood up, at a business driver's motorway cruising speeds. Closed, it drove as quietly as a saloon and stayed dry even during a near-tropical thunderstorm. It is a proper four-seater, although the hood mechanism takes up so much boot space that four people could, at best, take a weekend bag apiece.

Since an open car creates much more aerodynamic drag than a saloon, I thought 27 miles per gallon pretty good because most of my driving was either at speed on the motorway or in stop-start town traffic. The price is £15,800, which includes a power-operated top, windows and outside mirrors.

BOOKS

Reading behind the lines

Anthony Curtis looks at the revolution that is changing the face of the publishing industry

PUBLISHING, like other industries, is starting to pick itself up from the floor after the battering it received during the recession. Anyone who wants an up-date on what has been happening there during the past two traumatic years could not do better than to consult *Publishing Now* edited by Peter Owen, one of the canniest, most durable and adventurous of the few remaining independent publishers.

Owen has assembled a team of contributors whose professional skills cover many different aspects of this complex business. Here are people from the new conglomerates alongside representatives of the old-style gentleman-publishers; and here are articles by those concerned with literary fiction, mass paperback fiction, illustrated books, academic books, children's books, feminist books, gay books.

In all these areas, the period has been one of far-reaching change, and perhaps the most significant has been the original paperback – a book which has its first, and possibly only, edition in paperback. Owen's is one such, and the fact that I am reviewing it gives it parity of esteem with the new hardbacks on this page. That is something which publishers, particularly those of serious fiction, have been fighting to achieve for years.

Original paperbacks are not a new phenomenon, not even for literary fiction: imprints like Serpent's Tail in London and Polygon in Edinburgh having been publishing them for a long time. But, at the end of 1991 and the beginning of 1992, several companies with a long and distinguished tradition of literary fiction publishing, like Secker & Warburg, Chatto & Windus and Hamish Hamilton, began to publish original paperback fiction.

In an article called "The Death of the Hardback?" Dan Franklin, the head of Secker and Warburg, recalls the strategy of compiling a paperback fiction list with a distinct series identity, selling at £7.99 in a format midway between that of the average hardback and the mass-market paperback. Before the plunge was taken, the support of the booksellers – particularly Waterstones and Dillons – was canvassed and a positive response given. But there was still a fear that the books would be consigned to oblivion by the literary editors of newspapers and magazines.

"Without reviews, *[Franklin writes]* the books would die. However, our fears were unfounded. Generally, each book has had at least as much review coverage as it would have received in hardback."

In the old days, a small hardcover sale of around 1,000 copies was enough to establish a novel; if review coverage was favourable, there was the expectation of a mass-market paperback edition 12 months later. But this minimum

PUBLISHING NOW
edited by Peter Owen
Peter Owen £12.95, 175 pages

hardback sale can now be achieved only rarely. Ian Chapman, in his article on "Paperback Publishing," explains: "The view is that anywhere between a 4,000 and 10,000 copy sale at a midway price of £8.99, let us say, is better than a sale of under 1,000 copies at £15."

Clearly, it is too early to ring the death-knell of the fiction hardback – let alone the non-fiction hardback in such areas as literary biography – but we are likely in the future to see more and more novels appearing first time round as "C-format" (ie, posh-looking) paperbacks.

A further phenomenon, that of marketing the book on a diskette that the customer inserts into a portable computer and reads from the screen, is not dealt with here. Yet, American publishers like Random House are already exploring this in association with AppleMac computers. *Jurassic Park*, *The Portrait of Dorian Gray* and *The Annotated Alice* are among titles on offer in this form.

It might sound ridiculous but there are certain advantages in having a book on disc. A paperback, however up-market, tends to foreclose on a reader unless he or she exerts pressure to keep it open. The first two titles above would clearly be enhanced by the computer's graphics and, in the third, the footnotes are almost as great a delight as the text (and are embedded much more neatly in it on screen).

For couples in bed, where one partner wishes to switch out the light and go to sleep and the other to continue reading, the noiseless computer screen that casts almost no light beyond itself is the perfect solution.

Advances in electronic printing have brought about many fundamental changes – a technological revolution which is continuing. Some of the implications are dealt with by Robert Adkinson, of Thames & Hudson, who underlines the internationalism of the modern printing process.

The co-edition – a book funded jointly and published simultaneously in several different countries – remains of paramount importance for most art books. Colour reproduction, already at a high standard, is likely to improve further through "non-impact printing, with ink jets operating to pre-set co-ordinates controlled by computer."

The inroads made into the industry by computers are apparent throughout many of the articles. There are creatures like EPOS which monitor the sales of stock in the chain-store bookshops; JANET, which gives librarians rapid access to information; and CARL, a document delivery service in Denver, Colorado, with which Blackwell's has formed an alliance.

Electronics do not do it all, though. Publishing still depends on human input from people like editors (Dan Franklin), publicists (Jacqueline Graham), agents (Giles Gordon), booksellers (Tim Waterstone), and last – but by no means least – authors (Peter Vansittart). These people all contribute lively articles to this stimulating book.

Israel feels the chill

AMERICANS, in one of their periodic moods of navel-gazing, have lost interest in abroad. With the end of the cold war, the US has lost a role and feels encumbered with an empire.

The mood of inattention has America's clients worried. Israel, which since 1967 has slipped (against its better judgment) into an unhealthy degree of diplomatic, economic and technological dependence on the US, suddenly feels a disturbingly cool breeze from Washington. Once, the Israelis used to worry about US diplomatic hostility; now, they notice something even more menacing – lack of interest.

David Schoenbaum's is by no means the first history of the American-Israeli relationship, and yet another requires some special, saving grace. He has read scores of memoirs, inter-

THE UNITED STATES AND THE STATE OF ISRAEL
by David Schoenbaum
Oxford £30, 418 pages

viewed participants, and dug out diplomatic documents. He does not, however, use Hebrew sources – a strange deficiency in a book on such a topic published by a respectable university press. As a result, many central issues are skirted or ignored.

Then, too, the book mentions only fleetingly one of the main engines of American support for Israel, the Israeli lobbying organisation in Washingon. Called the America-Israel Public Affairs Committee (AIPAC), it rivals the National Rifle Association with its skill in mobilising support in Congress and the bureaucracy.

Why should America continue to support Israel? Until a few years ago, the Israelis could present themselves, plausibly, as formidable regional allies.

Now, though, the spectre of the evil empire has been laid and the US is no longer in the market for local exorcists. The Gulf war – in which the Israelis were told, humiliatingly, to put up *and* shut up, provided a vivid illustration of the transformation of their position in official Washington eyes.

Digging deeper into their arsenal of used-up arguments, Israeli spokesmen boast of the "shared values" of the two countries. But the whole world now loves democracy, chicken McNuggets and apple pie, and it is by no means obvious to the American taxpayer that Israel has a premium over other supplicants at the table.

Then, of course, there is the real reason for US involvement: the American Jewish community. The British Foreign Office has long regarded it as perverse and unnatural that US foreign policy should pay attention to the views of this large and influential internal constituency.

Ernest Bevin, Labour's foreign secretary after the second world war, ascribed his personal failure at the end of the Palestine mandate to the unwarranted interference of the American Jews in a matter he regarded, with an almost perverse unrealism, as none of their business.

Like it or not, though, the bond between the Diaspora and Israel was and is a political fact, one that Bevin and many since discounted at their peril.

From time to time over the years, the US State Department, like the Foreign Office, has read American interests differently and sought to steer policy away from support for Israel. But, since 1967, such deviations have always been rectified by the elected elements of US government.

American bureaucrats, like their British colleagues, used to regard such presidential or congressional busy-bodying as unconscionable interference in the diplomatic process, but they have by now learnt to live with it. So long as 6m American citizens continue, unfashionably, to maintain interest in a foreign cause, and so long as they are influential in political life, the US commitment to Israel is likely to remain unbreakable.

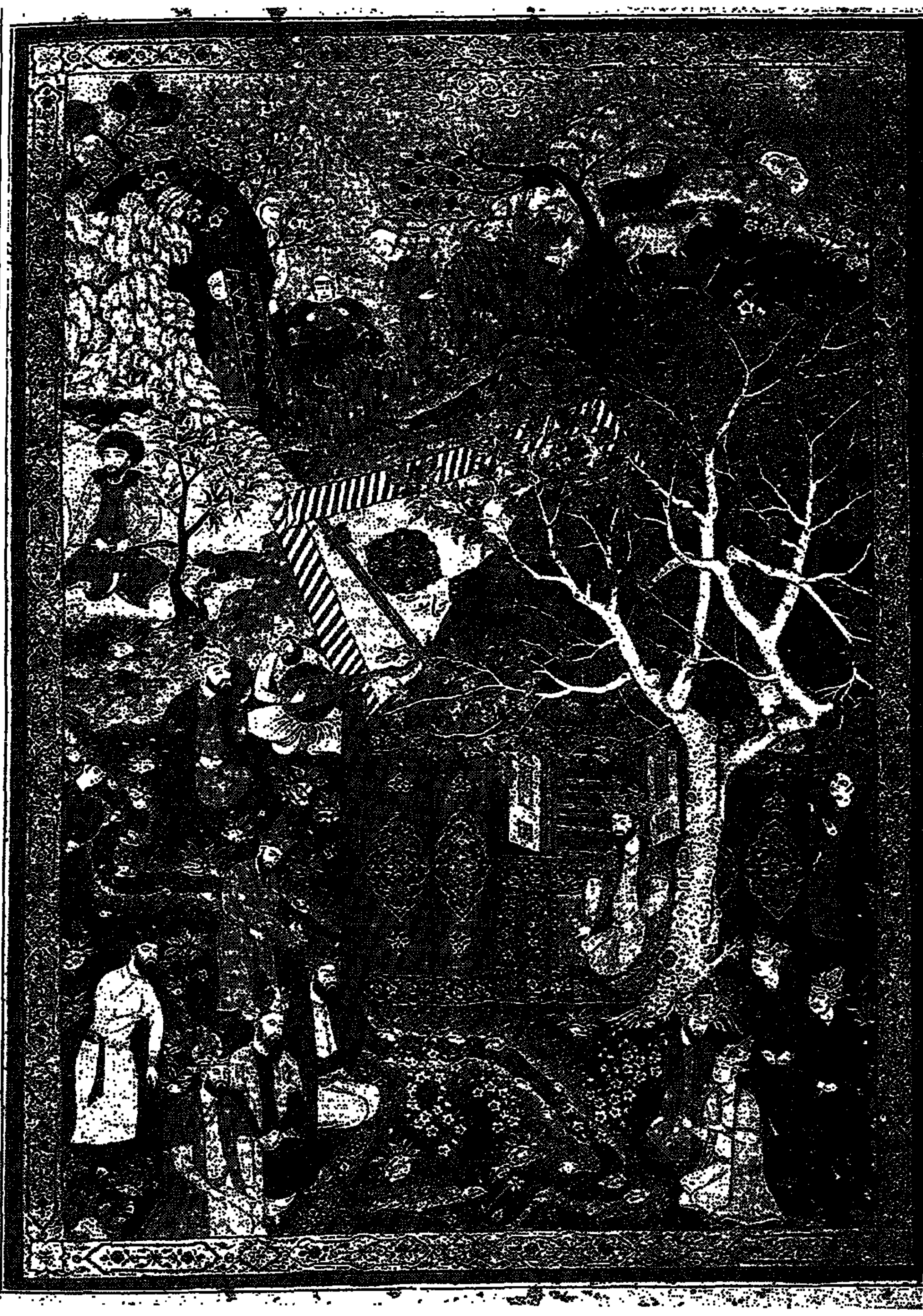
The pathways that lead from this ethnic solidarity to a strange alliance (that is not formalised in any treaty) require further exploration – and never more so than now as the present Arab-Israeli peace talks enter their most critical phase.

Unfortunately, this book adds little by way of new information or new ideas to what has been said and written on the subject already. It more or less grinds to a halt around 1987, so that the reader looking for fresh insights into the present "peace process" will be left unsatisfied.

On many key issues, Schoenbaum refrains from disclosing his own views. Was Israel a "strategic asset" to the US during the cold war, as was often claimed, or was it a millstone round America's neck? Could the US be a friend to Israel and, at the same time, an honest broker in negotiations with the Arabs?

Schoenbaum raises a lot of questions like these and throws a mass of semi-digested data at the reader from various angles but he declines, coyly, to provide intelligible answers. Indeed, his only conclusion appears to be that the American-Israeli relationship is "more special than most." This is not news.

Bernard Wasserstein



The Mughals in miniature

This brilliant illustration of the Mughal ruler Humayun giving audience in his tent comes from J. M. Rogers's attractively written *Mughal Miniatures* (British Museum Press; £9.95; 128 pages.) It is one of a new series of short highly illustrated guides to Islamic art by experts in their fields: Persian painting, metalwork and, soon to appear, tiles.

The art of Mughal India in the 16th and 17th centuries is a terrific subject, and Professor Rogers's book is broader in scope than one might think, thanks to his emphasis on the personalities of the emperors, Akbar, Jahangir, Shah Jahan and Awrangzib. Their voracious appetite for art yielded little to Habsburg or Medici contemporaries. Emperor Akbar's library of 24,000 volumes is estimated to have cost three times the sum he spent on building the city of Fatehpur Sikri.

The strangeness of Mughal art, with its bizarre Dürreresque Crucifixions, is explicable when we read about Akbar's and Jahangir's real love of European art. They even ordered copies of famous Roman images of the Madonna to be displayed in public places. Small wonder that the Jesuits misinterpreted them as thirsting for baptism, whereas Akbar was set on a quite other goal, the imposition of his Universal Religion.

Whether you are planning a visit to northern India or simply interested in a fascinating chapter in the interchange of cultures, this is a book worth having.

Patricia Morison

FT Children's Book of the Month

Poetry with perception

GENERALLY speaking, it has not been a good year for children's poetry. The only memorable collection of the spring was Philip Gross's *The All-Nite Café* (Faber, £3.99). At his best, Gross is an inventive and imaginatively far-reaching poet, but the book's format and general presentation were so mean and unappealing that few children are likely to have seen it. More's the pity.

Matters have taken a turn for the better, however, with the publication of three new anthologies. Two are good: *The Orchard Book of Poems* for older children, chosen by Adrian Mitchell (£14.99); and *First Poems* (Orchard, £8.99), compiled by Julia Eccleshare, who has for many years been responsible for editing that excellent annual publication, *Children's Books of the Year*.

Best of all, though, is *Apple Fire*, a selection from the many poems written by children between 11 and 13 at Halesworth middle school, on the Suffolk coast, under the tutelage of their English teacher, Jill Pirrie. Over the past decade, 54 of Pirrie's pupils have won individual awards in the annual W.H. Smith young writers' competitions, and the general quality of the poetry in this book is quite astonishing.

It reveals an acute sensitivity to the hidden resources of language, an ear for its music and a sense, above all else, that these children have discovered something akin to what the Brontë sisters discovered at Haworth parsonage in the 1820s. In the words of Ursula Le Guin, they have "learned the landscape of their own being and how to describe it."

Learning poetry by rote in UK schools is, effectively, dead – and few would wish anything else. But where do we go from here in teaching poetry? There are, of course, creative writing classes. But none can succeed without a teacher who both understands the value of poetry and can share that understanding with children.

Pirrie has both these qualities, as is evident from her excellent introduction to this book: a wise, trenchant and entirely unsentimental defence of the value of poetry in a child's life.

Every child is an oddity; and every child can be encouraged to put words and images to the sights, sounds and feelings particular to himself. The task demands wakefulness and an attention to detail – which children possess naturally in abundance. By discussion and example, the impetus to write can be released and the capacity to think, look and listen in words be nurtured.

The positive consequences, when achieved, are three-fold: the universalising of particular experiences; the reconciliation of inner and outer worlds; and, most exciting of all, new perspectives on the ordinary.

The child, guided properly and encouraged, is enabled to come into the inheritance of a living, shared language, quickened and refined by its literature. The promotion of literacy is a much larger and wider thing than helping a child to be a master of the language of clichés; and teaching poetry, with the close attention that it demands to the meanings of individual words, together with its economies of form and structure, is an ideal way of introducing children to the value of language itself.

It all sounds heady and inspirational stuff, but the fact is

APPLE FIRE, THE HALESWORTH MIDDLE SCHOOL ANTHOLOGY
edited by Jill Pirrie
Bloodaxe Books £7.95, 128 pages

that the results are there to be sampled in this excellent book. These children have been quickened into a radiant perceptiveness by their sympathetic teacher; and Pirrie must have felt from time to time what that other teacher, D.H. Lawrence, described once at the end of a poem entitled "The Best of School":

I feel them cling and cleave to me
As vines going eagerly up; they twine
My life with other leaves, my time
Is hidden in theirs, their thrills are mine.

But who taught the teacher? The most important presence in this book is that of Ted Hughes, Britain's finest living poet for children. Pirrie often uses his farmyard fable, *What is the Truth?*, to set the creative process in motion.

Many of the children's own poems are written in a forceful, driving, Hughesian *vers libre*, and have that hot, sharp stink of fox about them, irrespective of whether they are dealing with animals, dead or alive, or the natural world in all its beautiful fragility.

An earlier book by Hughes, *Poetry in the Making*, contains a useful piece of advice for teachers that Jill Pirrie quotes in her introduction: "Their words should be not 'How to Write' but 'How to say what you really mean' – which is part of the search for self-knowledge and perhaps, in one form or another, grace."

These are important matters – too important to be left to the teachers alone.

Michael Glover

Hess: the myth debunked

CONSPIRACY theories never die, nor even fade away. One can only try to expose them. This book should be read because it puts to rest some of the myths that have gathered about the story of Rudolf Hess's extraordinary flight to Britain on May 10 1941.

An expanded re-issue of a book first published in 1971, this account by the Duke of Hamilton's son makes use of fresh documentary material, some from Hamilton papers but also from Foreign Office records, including MI5 files, opened for public scrutiny in 1992. It is handsomely illustrated with many unusual, and previously unpublished photographs from British and German collections.

A well-researched introduction by Roy Conyers Nesbit, a wartime navigator, and Douglas-Hamilton's expanded text demolish the myth that the man who flew to Scotland and was later imprisoned in Spandau was not Hess but an imposter. Nesbit's reconstruction of the RAF's tracking record for Hess's flight calls into question the account given by John Costello in *Ten Days That Saved The West* (1991) and undermines the argument that the Duke of Hamilton knew of Hess's project and made efforts to assure his safe passage.

It was a combination of Hess's daring and skill, the RAF's technological deficiencies, and luck which helped the deputy Fuehrer evade his pursuers until a fuel shortage forced him to bale out south of Glasgow. Douglas-Hamilton disposes of the charges that the Duke knew Hess and that the flight was arranged by the Secret Service as a peace plot in the name of Hamilton but without his knowledge.

Hamilton had never met Hess previously although both attended the 1936 Olympic Games. The connection was through Albrecht Haushofer, son of the geo-politician Karl Haushofer, whose theories so appealed to Hitler. The elder Haushofer, teacher and friend of the young Hess, became partly dependent on the protection of his old student because he had a half-Jewish wife.

Albrecht was a conservative nationalist German with deep misgivings about the Nazis. Albrecht became Hess's pre-war personal assistant and Ribbentrop's diplomatic agent, with a particular interest in Anglo-German relations. Opposed to the war, and passionately concerned to preserve peace between Germany and Britain, Albrecht, in a letter in July 1939 to the future

THE TRUTH ABOUT RUDOLF HESS
by James Douglas-Hamilton
Mainstream £14.99, 256 pages

Duke of Hamilton, whom he knew well, warned of the imminence of war and pleaded for a British peace plan.

By 1940, still serving Hess, Haushofer was in contact with conservative resistance circles. He provided the link between Hamilton and Hess in May 1940 when Hess, anxious to restore his position with Hitler, sought to open communications with the London government. German documentation, not used here, supports the author's contention that the Fuehrer knew about these peace efforts. They were but one of many attempts in the summer of 1940 to secure the agreement with Britain that Hitler wanted.

Albrecht, on Hess's urging, wrote to Hamilton, now in the RAF, in September 1940 suggesting a meeting in Portugal. The letter was intercepted and for reasons still unknown not acted upon until five months later. It was forwarded to Hamilton, who was asked by the Air Ministry to arrange a rendezvous for intelligence purposes. The matter was still under discussion when Hess, frustrated by the failure of Albrecht's initiative and knowing of the forthcoming Russian invasion, took off for Hamilton's home in Scotland.

Hitler was taken by surprise. Hamilton was totally in the dark. It was not until Hess's flight that London realised that Albrecht was the *éminence grise* in the affair, though he knew nothing of Hess's plan. False information on the BBC, subsequently corrected, directly linked Hamilton and Hess. Churchill's decision to provide no details beyond the announcement of Hess's arrival and detention opened a Pandora's box of speculation that is still not closed.

The British government mishandled the affair, missing a propaganda opportunity in Germany and raising alarm in Moscow. Misleading intelligence reports from Kim Philby and Colonel Moravetz, head of Czech military intelligence, convinced Stalin that Hess had been encouraged to come to Britain to conclude a peace settlement and to secure support for the attack on Russia. These suspicions, never abandoned, were reflected in a British Communist Party pamphlet calling Hamilton a friend of Hess. The British government reluctantly allowed Hamilton to sue for libel. A public retraction followed but ministers sweated out the possibility that Hess might be a witness.

Douglas-Hamilton has successfully dealt with some – though not all – of the questions still surrounding this bizarre episode. His account leaves out some of the background information needed to understand the connection. For the most part, too, the author has only used the new Foreign Office files to amplify the story he has already told. It is unfortunate that he did not expand the later sections for, as his tantalising summary of the contents suggest, they apparently provide far more information than is given here. A brief epilogue covers Hess's trial at Nuremberg, his imprisonment and suicide in 1987.

As in the original version, the last chapter deals with the fate of Albrecht, who was arrested after the July 20 plot peace and shot on the night of April 22-23 1945 as Russian troops closed on Berlin. One is grateful for a sensible account of the flight, but this will not be the last book on Hess.

Zara Steiner

Fiction

The master tale-teller

TALL STORIES ARE TRUE: THE COLLECTED STORIES OF EDGAR WIDEMAN
Picador £8.99, 432 pages

THE CRAFT OF storytelling has always held a primal importance for African-Americans. Deprived of access to conventional means of historical narrative as well as to much of the media, blacks in America have nonetheless managed to forge a vibrant and varied fictive tradition which has kept their culture alive.

It is this heritage that informs the work of John Edgar Wideman and provides an explanation for the seemingly paradoxical title of his collected stories. In Wideman's world, all stories are indeed true, *if* truth means they can help remedy the lies and distortions which mainstream white society has often employed to keep blacks in their place. Throughout this book's 34 stories, Wideman's characters, usually inhabitants of the Pittsburgh community of Homewood, tell one another tales, tall or otherwise, in an attempt to understand their often bleak lives.

This preoccupation with the craft of storytelling is the glue of the first two volumes, *All Stories Are True* (1992) and *Fever* (1989). In the title story, a man retells a tale told him by his convict brother about a leaf that flew out of a prison as it was cheered on by the inmates. It is a stirring image of freedom and escape, given added poignancy by the man's admission that his jailbird sibling will never explain that the leaf was blown back in again. The story's truth lies not in its factual accuracy but rather in the way it expresses a desire for freedom.

In "Signs", a black college professor complains of anonymous racial abuse, only to confess eventually that the whole affair was her fabrication. Wideman, though, leaves plenty of doubt as to the veracity of this confession, making us wonder if perhaps the teacher did it just to end the abuse. Once again, factual truth is bypassed to lead us to deeper understanding of the psychology of racism.

When people are unable to tell one another these liberating stories, life becomes more difficult, even unbearable. In "Doc's Story", an abandoned black husband rues his decision not to share the more imaginative aspects of his culture with his white ex-wife, particularly the story of the blind man who could play street basketball with the best of them. "Fever", meanwhile, is a brilliant exercise in positive revisionism, telling the story of a black man who helped a white doctor during Philadelphia's yellow plague of 1793, during which white historians have inaccurately claimed local blacks behaved in a cowardly fashion. Here, better than anywhere else, one sees the real Wideman at work, his almost oracular voice able to keep his people's myths and heroes alive.

On occasion, Wideman lets his extra-literary bent get the best of him, creating stories in which the artifice subsumes the tale told, such as the jazzy "Everybody Knew Bubba Riff", a Joycian stream of consciousness that defeated this reader's weary eyes. And it is hard to see what place the post-Modernist hijinks of "Surfiction" have in the same volume as the devastating "Newborn Thrown in Trash and Dies".

The high point of this book is the third volume of stories it incorporates, *Damballah* (1981), a masterpiece of black American fiction. For reasons known only to themselves, Wideman and his editors decided to place it last rather than up front where it belongs. *Damballah*'s 12 stories provide the fictional history of a Homewood clan, from slave days until the present. Far better than *Roots*, it depicts the pressures brought to bear on the African-American family and the strategies for survival it has been forced to undertake to stay together.

The book is peppered with heartbreakingly beautiful moments, such as when John French, the family's strong man, finds a dead baby in the garbage. Afraid of reporting it to the white authorities, he decides to bury it, working during a snow storm to dig a deep enough grave. When he realises he has no way of interring it other than dropping it six feet, he first shovels in a bedding of fresh snow to cushion the fall.

Later in the family's history, an old woman examines a woven silk portrait of her granddaughter her son had made while he was in Vietnam. Everyone in the family hates it because it makes the little girl look Oriental, though the grandmother is able to imagine the old Vietnamese man who sewed it, seeing in his handiwork his own granddaughter, dead perhaps from napalm. It is with moments like these that Wideman shows himself to be a writer who rarely sounds a false note, a writer who, at his best, can make any story sound true.

Stephen Amidon

Rich and randy romp

THE GRANDMOTHER'S TALE
by R.K. Narayan
Heinemann £9.99, 134 pages

FASCINATED
by Miles Gibson
Sinclair-Stevenson £14.99, 245 pages

CAMPION'S GHOST
by Garry O'Connor
Hodder & Stoughton £15.99, 246 pages

THANK GOODNESS for the Empire. Britain's predilection for the poles of a more and more derivative frivolity and a less and less rational gloom is undermining the art of the novel. Where would we be without the deeper imported shades of the Caribbean, the subcontinent and other outer marches?

Take Miles Gibson's new book *Fascinated*, a gorgeously written romp through a London underworld of bruisers, mugs and molls. Frank Fisher, a nobody of a marketing man for the Fancy Wholesale Fruits Corporation, is yanked by a fluke into the dangerous orbit of mega-rich gangster Conrad Staggers. To win the heart of the beautiful Valentine, he must learn to kill. In the process he "comes to understand the need to give death a moving target". Gibson's writing is rich and randy, the plot as slick as it is predictable. But the characters are celluloid, the scenes a cartoon pastiche mixing Raymond Chandler with Arnold Schwarzenegger. A good read for sure, but *Fascinated* is little more than a clever kid's screenplay.

As for gloom, Garry O'Connor paints a very unfunny portrait of John Donne in his imaginary memoir of the metaphysical poet, *Campion's Ghost*. The facts are that Donne was raised as a Catholic, gained fame as a voluptuary, and ended his career as a pillar of the Church of England. O'Conner, perhaps informed by his long association with the theatre, has the poet thumping across the stage as a maudlin penitent, haunted by the Tudors' brutal persecution of Catholicism, tormented by guilt. His is a regret which we are told was shared by Queen Elizabeth, whom we meet in one unlikely scene seeking absolution from a dashing Jesuit priest who is meant to serve as a sort of *alter ego* to the sorry Donne.

There is a great deal of gallivanting about, miraculous rescues and the like, but the swashes in *Campion's Ghost* do not quite buckle. Donne the poet never really comes alive. We hear nothing, for example, of his foreign travels. And why is every Protestant brutish and cynical, every Catholic brave, sexy and wise?

The problem is that O'Connor has chosen a cumbersome vehicle to prove his conviction – expressed in a peculiar note at the book's end – that England lost its soul by suppressing the One True Faith. We are expected, one supposes, to applaud the subtext of hostility to such modern horrors as divorce, the ordination of women priests and so on.

After the thinness of Gibson and the sullen zeal of O'Connor, an old pro like R.K. Narayan comes as a relief. At a sprightly 86, the doyen of Indian letters remains true to form. *The Grandmother's Tale*, three short novellas, has all the naive passion and gently mocking humour of his best work. The stories are simple: a child bride stalks her absconded husband, a bureaucrat's greed brings disaster, a poor housewife achieves literary fame by way of her oblivious husband's skill in the kitchen.

To the dismay of his more critical countrymen, Narayan makes no pretense to modernity. His pre-Independence India is a lost world, rooted in Hindu fable and populated with Bertie Woosterish innocents. But the characters have depth; their motivations ring true. Narayan may have little to say about fundamentalist rage, but what he can do is conjure the quality of light.

Max Rodenbeck

A priest in lust

STRANGE GODS
by John Cornwell
Simon & Schuster £14.99, 262 pages

THE GARDEN OF EARTHLY DELIGHTS
by Nicholas Salaman
HarperCollins £14.99, 465 pages

THE ALLURE of sin and guilt for the fiction maker often goes with the notion that spiritual redemption follows expiation. Thus, the theme invites situational clichés – as, for example, in John Cornwell's *Strange Gods*, in which an ordained Jesuit priest – a high-flying whizzkid in the fund-raising branch of the organisation – has an affair with a young woman, which he enjoys not least because of its forbidden nature; crisis follows as love collides with the inflexible demands of vocation.

From this familiar setting, however, the story, and the moral direction, develop in quite unexpected ways. Having got Jill pregnant, Nicholas Mullen decides to decamp on a mission in Peru rather than give up his vocation and do the right thing by Jill. Before that, over an expensive meal, he tries to touch a wealthy benefactor for a tidy sum for Jill and her unborn baby. He gets his come-uppance along with a lecture on hypocrisy.

So, obsessed with sex, filled with guilt and self-loathing, and disillusioned with the world, Mullen arrives in Peru to work with Father Christian O'Rourke in the fever-infested rain forests. The zealous O'Rourke is a charismatic character with a reputation of Loyola and Mother Teresa rolled into one. That too turns out to be an illusion. But from the strange contest between Christianity as wielded by O'Rourke, and the native religion of the local Amerindians, Mullen's own moral development begins. Having lost against the gods of the Mekroti tribe, O'Rourke's mission is brought to a grisly end by the political god of the Shining Path terrorists. The story is often gripping and well-told.

Nicholas Salaman explores sin, guilt and the vision of Hell in *The Garden of Earthly Delights*, based on the life of the 16th century Dutch painter Hieronymus Bosch and his apprentice, Julius. The Master is commissioned by an esoteric order headed by an enigmatic Jew to paint the eponymous Garden but dies before finishing the painting. The task of completing Hell is left to Julius, who has suffered the torments of lust and doubt and has been rushed into a loveless marriage to a coarse Millenialist who turns out to be his half-sister.

The couple move to a town in Germany, where Hell and all its concomitants are played out in reality to an apocalyptic denouement. There is a lot to be said for a well-researched historical novel with an exciting setting and on this count Salaman scores highly – the main backdrop is the millennial fervour of the Anabaptist cult, and he has used Norman Cohn's classic *The Pursuit of the Millennium* to good effect.

Elon Salmon

In the world of Walter Matthau

***Nigel Andrews** enjoys a masterclass with Hollywood's most distinguished sourpuss*

Walter Matthau as the long-suffering Mr Wilson in the film "Dennis"

"MY FATHER was an itinerant menial worker," recalls Walter Matthau. "He was an electrician, carpenter, photographer. My mother always used to say... Rene, what happened to those nice *b-o-w-l-s*?!?"

His mother said *what?* Rene the waiter looks startled; Matthau, in mid-reminiscence, scowls at his salad plate; Leonard the agent, seated opposite, gives me a crisis-smoothing smile. It is 1.40 pm in a dining-room at the Beverly Hills Tennis Club and Hollywood's most distinguished sourpuss is giving us a masterclass. For the next five minutes the rococo Matthau vowels and sing-song Matthau adenoids are deployed in caustically comparing bowls to plates.

Forty years and as many films – including perennials such as *The Odd Couple*, *The Front Page* and *A New Leaf* – have turned this man into the best-known comic misanthrope since W.C. Fields. No star has more ingratiated himself by being uningratiating. Look up "grouchy" in a dictionary and you will find Matthau's face there. Rubber-duck features with excess-baggage jowls; narrow eyes sunk under half-mast lids; thick black hair slapped on top – "real", Matthau insists – like a mortarboard on a crusty teacher.

This week he returns in *Dennis*, a rampaging-kid comedy scripted by John "Home Alone" Hughes. Though the film's American title was *Dennis The Menace*, it has nothing to with the shock-haired delinquent known to Beano readers. "I didn't even know you *had* a Dennis the Menace in Britain," Matthau proclaims. "Our film is based on a comic strip by Hank Ketchum, who lives up in Carmel. Dennis is a six-year-old terror and I play his neighbour Mr Wilson, who's described as 'cur-mudgeonly' and 'can-tankerous'" – Matthau chews over every syllable – "but like all curmudgeons, with a heart of gold."

Pause for Rene to set down new salad bowl. "I wanted to play it another way. I wanted to play a guy who really *hated* kids."

Matthau's off-camera duties on *Dennis* included teaching co-star Lady Olivier how to speak Chicago-style. "Every time Joan got British I'd say, Not 'worried', dear, 'werried'. My own accent is fair-to-middling New York. But I can do Chicago. 'A ket-ehhs-trophe is something that shouldn't hehhpen...'"

A master mimic, Matthau can also do Deep South, Far West and broad Cockney, though he is modest about the accent he used in his last major film, Polanski's ill-starred *Pirates*. "I wanted to do Irish but Roman said there *are* no Irish pirates. I tried Cockney at the audition and the British guy acting with me said, 'Very, very good. Australian?'" As for *Pirates* itself, Matthau still winces at the film that probably toppled him from the box-office heights where he had lived happily for 20 years. "Humour is not Polanski's forte," he darkly states. "The film was jumbled, confused, it was" – pause for word-search – "*ob-fus-cated*."

As delivered by Matthau, this one-line vocal snapshot is more memorable than the whole movie. Pouncing on words and teasing them into constituent growls – they seem to come with a whole commentary of baroque mockery – is one of the secrets of his wit as an actor. He started his screen career playing mangy, rangy villains in movies like *Fail Safe* and *Charade*. Then Billy Wilder, after almost giving him the lead role in *The Seven Year Itch*, put his elastic features and gnarled vocal emphases into *Meet Whiplash Willie* (1965). That began the double-act of Matthau and Jack Lemmon – sardonic vinegar and plaintive oil – and the equally flavoursome relationship with Wilder.

"Billy saw me as the quintessential con man. You know, 'Watch out, this guy will sell you the Brooklyn Bridge.' Lemmon was the gullible innocent – which of course he is in real life!

"People don't believe you can do comedy until you do it. For years they took one look at me and said, 'You're the villain.' An actor when he starts out is judged by his face. You, for instance" – I brace myself – "would be cast as the villain. You're not glamorous enough to be the leading man. He" – Leonard braces himself – "would be the 'best friend.' When Ronald Reagan was running for Governor of California, Jack Warner said 'Governor? Ronald Reagan? No. Best friend.' A governor has to have wit, intelligence, aggressiveness. Warner couldn't see any of that in Reagan."

But who could have seen Matthau's destiny in *his* unpromising origins? He was born to a Jewish immigrant family on Manhattan's East Side. For his start in show business he sold drinks in New York's English-language Yiddish Theatre. "Soft drinks and three-flavour ice bricks. Then they put me on stage and gave me a couple of lines. I played an old lady in a crowd scene and my lines were 'Mazel-tov! Mazel-tov!'"

After that it was more high-profile theatre on Broadway, alternating with historic days in live TV. "I must have done over 100 television shows and it was the best acting experience you could ever have. Made you think on your feet. First thing you learn is, if you're sitting around doing Chekhov and the cat walks in, you *must* pay attention to the cat. You cannot continue with the dialogue of Chekhov without including the cat. So on live television we'd automatically go into ad-lib gear. There's the famous story: suddenly the phone rings on stage and there's not supposed to be a phone call. And it's persistent. And eventually the guy walks over, picks up the phone, says 'Hello?' Then he looks at the other actor and says 'It's for you.'!"

Accident-management became a Matthau speciality. In a Broadway production of *Anne Of The Thousand Days* he remembers bustling on stage as an unannounced understudy, behind the back of Rex Harrison delivering a high-flown soliloquy at stage front. "I was playing the old bishop and I came on and said" – deep-voiced British accent – "'I have known you from a child, King Henry. I was present when you took your first three steps.' At which point he turned his back to the audience and in a very loud Rex Harrison voice let out 'Oh shit!' So for the next ten minutes all I could hear was the audience whispering 'Did he say shit? Did King Henry say shit?'"

Matthau finally escaped into movies. But for his first ten years in celluloid he was only ever cast as the foreign-looking heavy. "They saw me as a tall Jewish Ukrainian, talking about horses and smoking cigars. I was never cast as the lead. A woman stopped me once on the boardwalk on Coney Island and here were her exact words. 'Hand-some? I've seen better. But you're *something*, I don't know what!'

"Later, when they determined I was a box-office draw, they started to give me leading roles in which I was connected to the female romantically."

Connected to the female romantically. No other actor in Hollywood talks like that. Matthau plays with polysyllables as if they were precious coinage; and even simple words become valued currency for him in the right context. He once had a debate about a small conjunction with Neil Simon, who wrote several comedy roles especially for Matthau, including Oscar in *The Odd Couple*. "In one of his plays I said to Neil, Can I say 'I got hit *by* a puck instead of *with* a puck. And he said, the line is 'with'; but he let me try it. And 'by a puck' got a bigger laugh. It makes the puck an animate object."

Why – since Matthau clearly knows his mind when it comes to how comedy should read and play – hasn't he followed the current Hollywood trend and turned from actor to director? See Eastwood, Redford, Beatty and company...

"Actors seem to think there are more important things than acting. That includes not just directing but mouthing off about politics and causes. Maybe they're right. But if you plan to keep acting as well, you'd better decide how much you want to jeopardise your credibility. As an actor, you have to leave yourself open for different roles. If you're a flaming reactionary or liberal, you bring hostile elements into your corner. The less you say about yourself, the better off you are. Otherwise people say: Oh I know him, he's that Jewish fellow from New York who was impoverished as a young man – why's he trying to play an Episcopalian priest?"

Matthau himself is still haunted by the career advice he once gave a fellow thespian from England. "I once did two films with Glenda Jackson. One night we were dining with some aristocrat friend of hers in London and she was talking the hind legs off us about social justice and class and poverty, and afterwards I said 'You know, Glenda, you really should go into politics.'"

Matthau takes a rueful chew on his salad. "I understand she took my advice."

FT July 31

Raw talent from a multi-ethnic world

***Claire Frankel** on a collection of ceramic sculptures*

BRITAIN'S evolving multi-cultural society is not always the subject of admiration, but one of its positive elements is shown in the current show at the Barbican in London. Various potters of different ethnic origin have added stunning ingredients from their own backgrounds and cultures to a ceramic exhibition of 30 contemporary British artists, which takes its title from anthropologist Claude Lévi-Strauss's 1964 book *The Raw and the Cooked*.

The show tries to prove that Art is Art is Art. Here we go again: that old chestnut, art v. craft. In our visual culture, hierarchical differences are firmly established – in art schools and in government departments doling out money – enhancing wrong-headed perceptions of art status.

The need to clear meaningless classification is now overdue. Thank you, Bernard Leach, for pushing the ceramic movement forward; thank you, Hans Coper, for veering off so magnificently into more sculptural forms. Now let us get on with the clay-moulders in Britain and stop slinking behind the rest of the world, decrying any clay work other than a teapot. If a person works with his/her hands – holding a paint brush, a chisel or a clay tool – and produces something of quality and originality, he or she is an artist.

This is the third exhibition organised by The Museum of Modern Art in Oxford, surveying British visual culture. MOMA's brief to the curators, Alison Britton and Marina Margetts, ruled out any overtly functional work, looking rather for diverse clay sculpture beyond utility: clay is here being looked at as an art material. Britton (an esteemed potter) and Margetts (former editor of *Crafts Magazine* and writer) have sought out those doing interesting, innovative work today. The selection process naturally fashions themes, but the curators discarded this approach, not wanting to be restrictive.

Preoccupations clearly emerge. Non-western cultures – Chinese, Malaysian, Nigerian and Indian backgrounds – lean on a different civilisation from ours. Lawson Oyekan's huge, hand-built pots evoke memories of African landscapes, the clay wrapping around itself as it might enclose a family group. Consider how differently Ewen Henderson's structures approach landscape and memory with his irregular lava-like mixtures reminiscent of the moon's surface.

Pamela Leung, brought up in Hong Kong, has built a ceramic tiled wall mixing, as in a Chinese tale, reality and myth: a man's body with a bull's head rests on a table above a pot and a stringed instrument. Trupti Patel has stacked a tall pentagonal pillar with open niches, combining witticisms like feet and umbrellas with glimpses of thought-provoking figures. It is particularly interesting juxtaposed with sculptor Antony Gormley's "Twenty-Four Hours", a dramatic march of 24 plodding figures in a single diagonal line, graduating from 2.3cm to 9m.

Like Gormley, other British artists are also concerned with identity. Jacqueline Poncelet's large, undulating forms lean against the wall, their patterned, earth-coloured tattoos making them strangely approachable. "The objects", she writes in the catalogue, are "simultaneously ugly and beautiful according to our belief in the normal." Tracey Heyes uses the Grecian-draped dress as a metaphor for repression; Grayson Perry makes confessional vases.

Artists, perhaps with the exception of the untutored, "outsider" artists, are grounded in tradition. This education is obvious in all the works, regardless of their sculptural forms.

Exhibition designer John Pawson must have been nervous about breakage and/or theft. To install these three-dimensional pieces along an extended shelf against the wall is frustrating (a mirror might have helped), though somewhat mitigated by the fact that no glass separates the pot from the viewer. This is a show in which the interesting range and technical facility of the artists should awaken a sense of pride in an open-minded British audience.

The Raw and the Cooked. Barbican Lower Gallery, London, until September 5, then to Oxford and Swansea.

ARTS

Kuhmo Festival

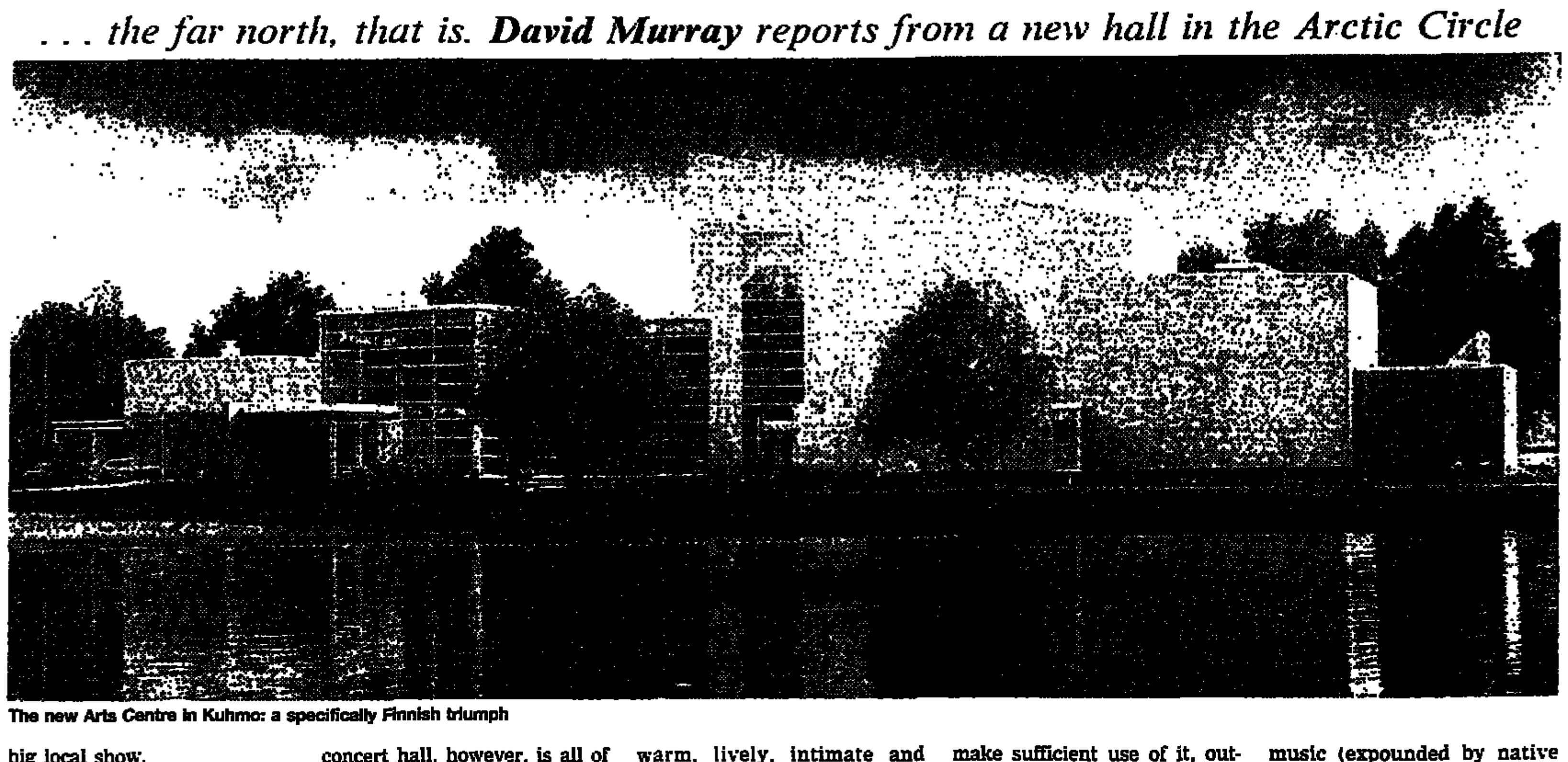
Chamber music in the north

*. . . the far north, that is. **David Murray** reports from a new hall in the Arctic Circle*

ALMOST in the Arctic, a very small Finnish town – with many visitors from distant places – is now hearing the last of its 24th Kuhmo Chamber Music Festival. There the cellist Seppo Kimanen founded it in 1970; his keen instinct for programming and for tempting the right artists to come has ensured that this super-abundant festival has gone from strength to strength. For lovers of chamber music, to visit the Kuhmo festival is to court instant addiction.

This year's festival, however, has been marked by a glorious transformation. Until now, concerts have always been held in the gymnasium of the local school, in Kuhmo Church and in other less gracious places. Kuhmo town is after all barely more than a glorified crossroads, amid unspoiled Northern lakes. The new municipal library was its first seriously modern building; the Arts Centre, newer still – finished just days before the current festival began – is a specifically Finnish triumph, a modest marvel of practical design.

Canny finagling by Kimanen must have been crucial. Though every Finnish town with a population of at least 20,000 is entitled to a nationally funded music-school (yes!), Kuhmo town has only 13,000-plus. Its case surely rested upon the ever-growing festival, a vision of what an Arts Centre might bring to the town and region, and a plan of intensive music-teaching for the wider Kuhmo area. A part of the centre will be the quarters of the new music-school; and if the main concert hall seats fewer than 700 people (albeit in roomy comfort), it boasts a stage large enough to accommodate a full orchestra, or any big local show.



The new Arts Centre in Kuhmo: a specifically Finnish triumph

It is beautiful. The external silhouette – music-school, auditorium with sloping roof, the backstage extension – is unshowily elegant, not grandiose. Inside, the foyer is coolly airy and lofty (clean lines, dovetailed stone and wood), with a luminous view of the Lammasjärvi lake, pines and silvery willows beyond its great glass wall. The Lentua concert hall, however, is all of blond Kainuu pinewood – the stage, the house, the seats – and it glows, in moulded curves and walls of vertical strips.

The ceiling is ornamented with what look like up-ended, dozen-legged stools (a deliberately homely touch), and with starry clusters of tiny lights hung in the pattern of the Great Bear. The acoustic is warm, lively, intimate and lucid, flatter=strings and voices: nothing is ever so good as wood. Altogether, this must be one of the friendliest and most successful concert halls in Europe. There is a smaller Pajakka hall too, and a dance studio. (Architect, Matti Heikkinen; acoustician Alpo Halme.)

It remains to be seen whether the town can really make sufficient use of it, outside the two-week Music Festival. I fancy, though, that in two or three years Kuhmo will wonder how it ever managed without it. This a slight humidity problem still: from time to time a concert would be punctuated by a dry, woody *crack!* – but we were assured that nothing will fall down.

That was particularly noticeable in the new Icelandic music (expounded by native devotees), for much of it kept falling into long, mortified silences: one had always supposed that life in Iceland would be like that. The newer the music, the more "intuitive" and formally exiguous it seemed, with an air of introspective melancholy. I was most taken with the revolving patterns and folk-dance rhythms of Karólina Eiríksdóttir's mixed-quartet *Renku*.

Among rediscoveries, the Petersen Quartet from Berlin brought a delectably witty Five Movements by Erwin Schulhoff, a Czech Jew who died in a concentration camp. A string quartet by the Swedish composer Laura Valborg Aulin (1860-1928) was gracefully appealing; but an A minor piano quintet – same instruments as Schubert's "Trout" – by the Parisian Louise Farrenc (1804-75) made a great impression. Well-crafted and finely sonorous, with a hyper-active piano part, it belongs to a very substantial *oeuvre*: I hope that someone may even now be copying out the parts for one of her three unpublished symphonies. Musical feminists have a composer worth championing here.

Last year the festival added an "International Forum of Young Violinists" to its menu, and the 20-year-old Armenian Nikolai Madoyan reappeared now to display a truly sensational technique (he and Maxim Vengerov had the same teacher). This year it was the turn of young pianists. I missed a much-praised recital by 15-year-old Albert Kim, but heard two astonishing 12-year-olds.

From Kazakhstan came Dasha Rabotkina to play a recital including Schumann's *Faschingsschwank* and several of her own compositions with unwinking musicianship and aplomb. As for little Jonathan Gilad from Marseilles, his calm maturity in Mozart and Schubert was uncanny, and the breadth and power of his Brahms – the "Handel" Variations & Fugue, no less – scarcely credible. There must be a prodigious career in the offing.

David Murray

Proms

A hit, from Wales

IN SEPTEMBER the BBC Welsh Symphony Orchestra changes its name to the BBC National Orchestra of Wales. The ingredients of the title may be the same, but the subtle shift in emphasis underlines the orchestra's enhanced status and the fact that the BBC is not its only source of finance.

At the moment the future for several of the BBC orchestras looks uncertain. (Pessimists say that the bottom line is to save the BBC Symphony Orchestra, the flagship, which could be dire news for the rest of the fleet.) But the BBC Welsh SO has manoeuvred itself into a strong position: active local support, funding from the Welsh Arts Council and SC4, a territory over which it reigns supreme, a hall of its own at St. David's in Cardiff.

More important – it plays as if it has confidence in itself. The orchestra's visit to the Proms at London's Albert Hall for two concerts this week could hardly have been a better advertisement for the high standards to which it now aspires. Although it has only been at full permanent strength of 90 musicians since 1987, there is an unanimity about the way they play that suggests a well-knit ensemble, keenly rehearsed by their Principal Conductor, Tadaaki Otaka.

The performances were not self-regardingly glamorous, or virtuoso displays. What they had was discipline. This amounted to more than just being tidy, as Strauss's *Don Juan*, a characterful opening to Tuesday's concert, announced from the outset. Grieg's Piano Concerto, with Martin Roscoe the very able soloist, was much the same – not grand, not bombastic, but every note came across as though the work had been thought about afresh.

Otaka's views on the music of William Walton were clearly going to be both fresh and worthwhile. (Has there ever been a Japanese conductor of the First Symphony before?) Any amount of detail was fastidiously put in place. Ravel, rather than Stravinsky, seemed to be an inspiration for the music, so exquisite was the blending of timbres in the slow movement; but the finale did ultimately rise to an resounding conclusion.

The second concert comprised just one work: Mahler's Sixth Symphony. If there is one criticism of Otaka, it is that he expresses himself in neat clauses and sentences rather than paragraphs, which robbed both the Walton and the Mahler of some of their long-term intensity. But for precision of playing, clarity of focus, the Mahler was another performance which hit the bull's eye.

It is difficult to recognise in these two programmes the orchestra as it used to perform 10 or 15 years ago. The BBC Welsh SO has started undertaking international tours (Germany and the US planned for 1994) and is well on the way to becoming an impressive cultural ambassador.

Richard Fairman

Radio / **B.A. Young**

A Stone's view of success

THE 50th birthday of Rolling Stone Mick Jagger might seem trivial to frivolous people but he is, rightly or wrongly, among the most famous of living men. Unexpectedly, the BBC celebrated the date on Radio 2, where song comes usually from different sources. It was a good feature they gave us, produced by Peter Aston, part biography, part sociology, not too much music.

Clearly, Jagger's success has come from his own effort, not from outside coaching (unless you include his manager, Andrew Loog Oldham). His family he rates as bourgeois; he was bright enough at school to pass into the London School of Economics ("really boring"). He had no moral convictions as a young man: "I've got my own morals." In 1967, he got three months for a drug offence, a sentence that William Rees-Mogg, then editing *The Times*, condemned.

He sang because that was what people were doing; his style is due to his love of "the theatre of it." With success, he is socially ambitious, with aims like MCC membership. His accent has gone up or down, probably with no personal design. Mary Whitehouse says she "got on well with him." Philip Stone, compiler of the programme, says he speaks good French, is cautious with money, friendly with children, weeps easily under stress. "A knighthood, OK? Don't want a life peerage." I wish him another 50 years but won't be buying his records.

The World Service is doing a four-part series on *The Slavs* – sadly, not about the conflict in ex-Yugoslavia but about the historic and cultural elements of the Slav people. There are more of these than we generally think; they stretch from the Baltic to the Pacific, from the Arctic to the Mediterranean.

Last week's programme was history; presenter Wanda Petrusewicz went back to the 6th century when the Slavs were peaceful farmers, comprising one-third of the European population. In the West were Roman Catholics, in the East, Moslems, but most adhered to old polytheistic beliefs.

Subsequent events increased the proportion of Christians, now generally divided between the Catholics and the Orthodox church. As we know, there are also Moslems in Bosnia – in Bulgaria, too – although religion, as such, is not involved in the Bosnian disasters.

Yesterday's programme dealt with religion in more detail, with a specific cheer for the visit of the Slav Pope to Poland. Next Friday's programme is more relevant to our time, recalling the PanSlav movements of last century and Tito's aims in that direction, and considering the Slav nations' mutual relationships today after the decline in Europe of the Russian influence: proud of being Slavs, inclined toward nationalism. The programme can be heard on the World Service at 0730, repeated at 1215 and 1930.

Radio 3 is giving more and more time to non-musical material, and this week has repeated some of last year's programmes about the US. On four days, we had Irish novelist Tim O'Grady's look at young Americans; alas, I could hear only one of them, a delightful half-hour about Nancy Lemann on Tuesday. She is a Southern writer living in New York, and she stimulated great conversation about "the old verities" that include baseball. Also on Tuesday was a repeat of Piers Plowright's *A Bus Named Desire*, an unusual view of New Orleans of which I wrote enthusiastically when it was last broadcast, and which I enjoyed as much this time.

Alexander, Radio 4's Classic Serial, is as exciting as ever. The boy Alexander (Simon Crane) makes an unauthorised trip to Olympus, tames the restive Bucephalos, then grows up enough (now played by Michael Maloney) to be appointed regent during Philip's absence, and to be advised by him to go after women and get himself a son. Splendid stuff.

Off the Wall / **Antony Thorncroft**

Brighter picture

THE 1992-93 art market year, which officially ends today, will not linger in the memory. It saw the main auction houses report a slight rise in sales, but any return to the heights of 1989-90 will be slow and tortuous.

Sotheby's has the greater cause for satisfaction. Its old competitor Christie's seemed to be driving remorselessly toward Sotheby's traditional, that is 19th century, saleroom dominance, but New-York based Sotheby's, building on the slightly renewed business confidence in the US, was able to re-assert itself over its London rival.

It achieved sales of £773m ($1.2bn), a rise of 20 per cent in sterling terms (but only 4 per cent in the more relevant dollars) as against the £683m ($1.06bn) turnover at Christie's (a gain of 16 per cent in sterling and 1 per cent in dollars). So the gap between the two has widened again.

This is a small consolation when set against both auction houses' sales in the rogue record year of 1989-90 when Sotheby's registered a turnover of £1.96bn and Christie's £1.46bn. At both sales are less than half those of that *annus mirabilis* when, for sometimes financially dubious reasons, buyers, the Japanese in particular, displayed an insatiable lust for works by Van Gogh, Renoir, and other Impressionists, leading to the highest price ever paid for a picture of $82.5m, for a Van Gogh.

But the steady-as-she-goes improvement in sales this season, the first upward movement for three years, was not without incident. For Christie's things could have been oh, so much better, if the highest bid in London during the season, the £7.7m, from the Zurich dealer Edgar Mannheimer for an early 19th century calculator, had proved real.

For a happy week or so Christie's believed it had pulled off a coup, for the calculator had only been estimated to sell for £15,000 or so. But then the money was not forthcoming and Christie's had to decide whether it was the victim of a hoax or whether Mannheimer had completely misread the mind of a prospective collector. The real victim is the vendor who went on holiday to celebrate his unexpected windfall and is now being placated by Christie's.

The most encouraging feature of the season was the return of large bidders for high- priced Impressionist and post-Impressionist pictures. The summer sales in London and New York did well. Buyers are still selective and dealers lack the cash and the confidence to acquire stock, but top-quality paintings are selling again. Sotheby's was amazed when it sold a Cèzanne for a record $28.6m and a Matisse for $14.3min its May sale in New York. Such deals should bring out other masterpieces which owners have been reluctant to risk on the market.

London could not match that but Christie's achieved the highest price in the UK this season when it sold a typical Renoir portrait of a pretty girl for £5.72m. The picture had sold in the feverish market of 1987 for £2.9m. Its surprise early re-sale at a much higher figure suggested that the Japanese were returning.

The second highest price of the year in the UK was paid at the Bond Street dealers, Noortman, when a continental collector gave around £5.5m for a De Hooch scene of a courtyard in Delft. Noortman had bought the painting at Christie's in December for £4.4m, slightly below its estimate. Christie's was relieved to sell it for the child in the painting had an unattractive face. Another cleaning improved her appearance – and the work's value.

In spite of expectations Old Master paintings did not become the rival, and successor, to the Impressionists. They cannot shake off problems of condition, attribution, and obscurity. Fortunately, the Getty Museum of Malibu still has its mighty cheque book and bought the other main Old Masters on offer, a Goya bullfighting scene for £4.95m, a Michelangelo drawing for £4.2m and a Caspar Friedrich romantic landscape for £2.3m.

In the main the finest and rarest objects sold while the mundane were passed over. By persuading vendors to reduce their reserves Sotheby's and Christie's marginally improved their sold percentages at auction to 80 per cent of lots on offer. There were disappointments. Christie's expected to set a record price for a miniature when it offered a double portrait of Thomas Cromwell by Hans Holbein, but this was sunk by doubts about the Holbein link.

Jewels remain a firm market and top quality English furniture and silver were solid. Victorian art enjoyed a revival.

The art market is marching in line with the US and UK economies; two steps forward then one step back. Didi Brooks, chief executive of Sotheby's America says: "The trend is getting better at a fairly gentle pace". David Tyler, financial director for Christie's, sees "a slow consolidation".

As confidence returns so will better properties. Sotheby's can look forward to another multi-million pound clear out from the castles of the Princes of Thurn and Taxis. Christie's is handling the sales of the art of the late Rudolf Nureyev.

The other UK salerooms carry on the struggle. Phillips, with its concentration on the middle market, has been hit by the reluctance of people to move house and sell the contents. Its turnover fell slightly from £85.3m to £79.6m, but Bonhams bucked the trend and raised sales 27 per cent to a record £27.9m.

Chess No 985:
1 Bb5 (threat 2 Bc4 and 3 Ra2) Rxb5 2 Rxa4+ Kxa4 3 Ra2 mate.

TELEVISION

SATURDAY

BBC1

7.00 Ceefax Pages. 7.25 News. 7.30 Pinocchio. 7.50 The All-New Popeye Show. 8.10 McGee and Me. 8.35 Peter Pan and the Pirates. 9.00 Parallel 9.

10.55 Film: The Bugs Bunny/Road Runner Movie. A compilation of classic Warner Bros cartoons (1979).
12.27 Weather.
12.30 Grandstand. Introduced by Steve Rider. Including at 12.35 Diving: European Championships from Sheffield's Ponds Forge. 1.00 News. 1.05 Diving. 1.30 Motor Racing: Rounds nine and 10 of the British Touring Car Championship at Knockhill, Scotland. 1.50 Racing from Goodwood: The 2.00 Vodafone Conditions Stakes. 2.10 Diving. 2.30 Racing: The 2.40 Vodafone Nassau Stakes. 2.50 Diving. 3.05 Racing: The 3.15 Vodac Stewards' Cup Handicap Stakes. 3.25 Golf: The US Women's Open from Carmel, Indiana. 4.15 Synchronised Swimming Final: European Championships from Sheffield's Ponds Forge. Times may vary.
5.00 News.
5.10 Regional News and Sport.
5.15 Stay Tooned: Tom and Jerry - The Movie. The making of the new film starring the cat-and-mouse duo.
5.55 Film: Dad's Army. Arthur Lowe leads the Home Guard of Walmington-on-Sea through a series of comic misadventures (1971).
7.30 Open All Hours. Corner shop comedy, starring Ronnie Barker.
8.00 Birds of a Feather. Tracey unearths a dark secret from husband Darryl's past while sorting out jumble for a car boot sale. Linda Robson stars.
8.30 The House of Eliott. Bea suspects Jack of having an affair with an actress and moves in with Evie. Further complications arise when the General Strike of 1926 provokes unrest in the workroom, leaving the sisters in an awkward situation as they struggle to complete their next collection.
9.25 News and Sport; Weather.
9.45 Spender. The Geordie detective is far from enthusiastic when he's given the job of protecting a glamorous political candidate.
10.40 Film: The French Connection. Powerful thriller, starring Gene Hackman in an Oscar-winning performance as a tough New York cop using unorthodox methods to break a drugs ring (1971).
12.20 Film: Dying Room Only. Taut drama, starring Cloris Leachman (TVM 1973).
1.30 Weather.
1.35 Close.

BBC2

6.40 Open University.

3.00 Film: Queen of the Stardust Ballroom. A lonely widow becomes estranged from her family after falling for a married man. Moving drama, starring Maureen Stapleton (TVM 1975).
4.35 Film: Space Raiders. Attacking aliens steal a space ship and mistakenly kidnap a young stowaway. Engaging SF, starring David Mendenhall and Vince Edwards (1983).
5.55 Small Objects of Desire. Weatherman Michael Fish chronicles the history of the fish finger.
6.15 Sweet Toronto. Documentary of the 1969 Toronto Peace Festival, featuring John Lennon, Chuck Berry, Jerry Lee Lewis and Little Richard.
7.15 A Picture of Health? The challenge to medical science posed by Tourette's syndrome.
7.45 News and Sport; Weather.
8.00 Rhythms of the World. The history of the bossa nova, which originated in Brazil in the early 1960s and has influenced performers as diverse as Frank Sinatra, Miles Davies, Sinead O'Connor and Bob Dylan. The programme features performances by the originators of the rhythm, who were reunited for two special concerts in 1992.
9.00 The Wexford Trilogy. First of a three-part drama. A fast-living gambler causes a stir when he returns to his home town in Ireland. Based on Billy Roche's award-winning theatrical productions, and starring Liam Cunningham and Dervla Kirwan.
10.25 Teenage Diaries. A video insight into the background of two young Portuguese boys who make their living playing music in the clubs and cafes of south London. For 13-year-old David and 15-year-old Valter, their musical opportunities in London are frustrated by an annoying requirement to attend school.
11.15 Film: Monsieur Hire. An elderly peeping tom's obsession with his attractive neighbour leads to intrigue and murder. Gloomy drama, based on a novel by Georges Simenon, starring Michel Blanc and Sandrine Bonnaire (1989).(English subtitles).
12.30 On the Air. A television quiz show takes an unexpected turn when a brilliant professor is challenged by a member of the public to a battle of brains. Second part of the comedy from the makers of Twin Peaks, starring Miguel Ferrer and Ian Buchanan.
1.00 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Opening Shot.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Movies, Games and Videos. A review of Arnold Schwarzenegger in The Last Action Hero.
1.40 Soccer: International Tournament. Second-half action from Chelsea v Ajax; full coverage of Tottenham Hotspur v Lazio. Pre-season tournament which brings Paul Gascoigne, of Lazio, and Glenn Hoddle, the new Chelsea manager, back to White Hart Lane.
4.45 ITN News; Weather.
5.00 London Today; Weather.
5.10 MacGyver. The adventurer visits an old flame and discovers she is in serious trouble.
6.00 What You Lookin' At? The gang holds a disco - but who will partner the flat-footed Trevor?
6.30 Beadle's About. Jokes galore with ace TV trickster Jeremy Beadle, including a woman who finds her car undergoing a strange MOT.
7.00 The Best of Tommy Cooper. Eric Sykes joins the fez-wearing comic, who demonstrates his acrobatic skill.
7.30 The Upper Hand. Charlie faces continued heartache as Caroline's estranged husband (Nicky Henson) causes friction in the Wheatley household.
8.00 The Bill. Pc Garfield faces the music after a timid teacher complains about a thief escaping police custody.
8.30 London's Burning. A new recruit (Samantha Beckinsale) joins Blue Watch and is forced to deal with unwelcome advances from Colin Parrish (Stephen North) – and risk her life during a hazardous chemical fire.
9.30 ITN News; Weather.
9.45 London Weather.
9.50 Taggart: Violent Delights. The mysterious death of an undertaker prompts Taggart and Jardine (Mark McManus and James Macpherson) to investigate.
11.20 Film: McCloud: 42nd Street Cavalry. The urban cowboy rides the streets of Manhattan in search of a cop killer. Dennis Weaver stars.
1.10 The Big E.
2.10 Get Stuffed; ITN News Headlines.
2.15 It's Bizarre.
3.10 Get Stuffed; ITN News Headlines.
3.15 New Music
4.15 Rock Sport.
4.35 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 Sumo. 12.30 pm Kasak.(English subtitles).

1.00 Film: Blithe Spirit. A novelist is shocked when the ghost of his first wife turns up to haunt him - and only he can see and hear her. Adaptation of Noel Coward's supernatural fantasy, starring Rex Harrison, Kay Hammond and Margaret Rutherford (1945).
2.45 Dick Turpin - Highwayman. The truth behind the legend.
3.15 Racing from Newmarket. Coverage of the 3.20 EBF Colman's Mustard Maiden Stakes, 3.50 Robinson's Barley Water Handicap Stakes, 4.20 Colman's of Norwich Stakes (Nursery H'cap), and the 4.50 Ladbroke Handicap Stakes. Introduced by Derek Thompson.
5.05 Brookside.
6.30 Opening Shot. A look at the Royal Ballet, featuring one of its star ballerinas Darcey Bussell in excerpts from Swan Lake and Mayerling, and a report on the company's new project, A Chance to Dance, which offers underprivileged children the opportunity to become dancers.
7.00 The World This Week; News Summary.
8.00 Best of Cutting Edge. The story of Dublin contractor Billy Dunne, who mysteriously went missing in 1987, leaving behind a wife and 10 children. The film traces his family's five-year search for him, and includes an epilogue showing how he was finally traced.
9.00 Traffik. Jack returns from Pakistan to discover Caroline has disappeared. While Fazal languishes in prison, Ulli believes he has uncovered Helen's smuggling route. Final episode of the drama, starring Bill Paterson and Lindsay Duncan.
10.20 The Big One. Deddy is at her wits end over James' obsession with tidiness and resolves to throw him out. But she has a change of heart when she discovers his work has received a panning. Comedy, starring Mike McShane and Sandi Toksvig.
10.50 Film: Hyenas. A wealthy woman returns to her small home village and offers the penniless residents a fortune – on condition they execute the former lover who betrayed her. Melodramatic adaptation of Friedrich Durrenmatt's classic play The Visit, starring Ami Diakhate (1992).
12.55 Ninki Nanka, The Prince of Colobane.
1.50 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Nigel Mansell's IndyCar '93. 5.00 Anglia News and Sport 5.10 Cartoon. 5.15 Baywatch. 9.45 Anglia Weather. 11.25 Summer Dreams: The Story of the Beach Boys. (TVM 1990)

BORDER: 12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Success in Cycles. 1.40 Run, Simon, Run. (TVM 1970) 3.05 The A-Team. 4.00 Superstars of Wrestling. 5.00 Border News and Weather 11.25 Summer Dreams: The Story of the Beach Boys. (TVM 1990)

CENTRAL: 12.30 Movies, Games and Videos. 1.05 Central News 1.10 COPS. 1.35 Nigel Mansell's IndyCar '93. 2.05 Wheels in Sport. 2.35 The Munsters Today. 3.00 The A-Team. 3.50 Cartoon Time. 4.00 WCW Worldwide Wrestling. 5.00 Central News 9.45 Local Weather. 11.20 The Cops and Robin. (TVM 1978)

CHANNEL: 12.30 The Munsters Today. 1.05 Channel Diary. 1.10 Nigel Mansell's IndyCar '93. 1.40 The Mountain Bike Show. 2.10 Vanishing Act. (TVM 1986) 4.00 WCW Worldwide Wrestling. 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 11.20 Dadah is Death.

GRAMPIAN: 12.30 Cruinne-Ce. 1.05 Grampian Headlines 1.10 Telefios. 1.40 Tomas Tolteach 'S A Charaidean. 1.45 Police News. 1.50 Movies, Games and Videos. 2.20 Nigel Mansell's IndyCar '93. 2.50 The A-Team. 4.00 WCW Worldwide Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 9.45 Grampian Weather. 11.25 Summer Dreams: The Story of the Beach Boys. (TVM 1990)

GRANADA: 12.30 Movies, Games and Videos. 1.05 Granada News 1.10 Success in Cycles. 1.40 Run, Simon, Run. (TVM 1970) 3.05 The A-Team. 4.00 Superstars of Wrestling. 5.00 Granada News 5.05 Baywatch. 11.25 Summer Dreams: The Story of the Beach Boys. (TVM 1990)

HTV: 12.30 Movies, Games and Videos. 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '93. 1.40 The Mountain Bike Show. 2.10 McCloud: This Must be the Alamo. 3.50 Baywatch. 5.00 HTV News. 9.45 HTV Weather. 11.25 Summer Dreams: The Story of the Beach Boys. (TVM 1990)

MERIDIAN: 12.30 The Munsters Today. 1.05 Meridian News. 1.10 Nigel Mansell's IndyCar '93. 1.40 The Mountain Bike Show. 2.10 Vanishing Act. (TVM 1986) 4.00 WCW Worldwide Wrestling. 5.00 Meridian News. 11.20 Dadah is Death.

SCOTTISH: 12.30 Movies, Games and Videos. 1.05 Scotland Today. 1.10 Telefios. 1.40 Abair Sporst 2.10 Animal Country. 2.40 Cartoon Time. 2.50 Beau James. (1957) 5.00 Scotland Today 5.10 Cartoon Time. 5.30 Fantastic Facts. 9.45 Scottish Weather. 11.20 Love Among Thieves. (TVM 1987)

WESTCOUNTRY: 12.30 Movies, Games and Videos. 1.05 Westcountry Weekend Latest. 1.10 Like Father, Like Son. 2.00 Istanbul Express. (TVM 1968) 3.45 Nigel Mansell's IndyCar '93. 4.15 The Mountain Bike Show. 5.00 Westcountry Weekend Latest. 11.25 Summer Dreams: The Story of the Beach Boys. (TVM 1990)

YORKSHIRE: 12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 Champions. 5.00 Calendar News. 11.20 Bang the Drum Slowly. (1973)

SUNDAY

BBC1

7.00 Ceefax Pages. 7.30 Wiz Bang. 7.40 Pigeon Street. 7.55 Playdays. 8.15 Breakfast with Frost. 9.15 Getting Through. 9.30 This is the Day. 10.00 See Hear! 10.30 Film: Wake of the Red Witch.

12.10 Wilderness is Not a Place.
12.30 CountryFile.
12.55 Weather for the Week Ahead.
1.00 News.
1.05 Cartoon Double Bill.
1.15 Henry and the Hendersons. Nancy's brother pays a visit – and comes face to face with Henry. Starring Bruce Davison.
1.35 Steven Spielberg's Amazing Stories. Tales of the bizarre, beginning with the story of a young man haunted by his dead grandfather.
2.00 EastEnders.
3.00 Film: Grease 2. Michelle Pfeiffer stars in this sequel to the hit musical as the leader of the Pink Ladies who finds herself pursued by a shy English boy (Maxwell Caulfield) (1982).
4.50 The Flintstones. Stone Age cartoon fun.
5.15 Lifeline.
5.25 Cartoon.
5.30 Superdogs. South West v the Midlands in the first semi-final.
6.10 News.
6.25 Summer Praise.
7.00 Last of the Summer Wine. The OAP trio ponder the advantages of keeping fit.
7.30 As Time Goes By. Romantic comedy, starring Geoffrey Palmer and Judi Dench.
8.00 Strathblair. Robert confronts a gang of motorcyclists who offend his grandfather with their unruly behaviour. Andrew and Flora make a shocking discovery on their return home, and Jenny takes her visiting parents to explore the beauty of the Perth countryside.
8.50 News and Weather.
9.05 Resnick. Part one. A murder case creates headaches for the unconventional detective (Tom Wilkinson) when the investigation puts a strain on his complex personal life.
10.30 Everyman. Profile of Dot Burrows, the warden at a hostel for young offenders.
11.10 The Train Now Departing. Steam trains on the Isle of Man.
11.40 Film: A Fine Madness. Sean Connery stars in this satirical comedy about an outspoken poet who decides upon a drastic course of action to find somewhere peaceful to write (1966).
1.20 Weather.
1.25 Close.

BBC2

6.40 Open University. 9.10 Teenage Mutant Hero Turtles. 9.30 Joony Briggs. 9.50 System 93. 10.15 Regnas. 10.40 Grange Hill. 11.05 FOT. 11.25 What's That Noise? 11.55 The O Zone. 12.10 pm Glenny and Seeing is an Illusion.

12.30 Sunday Grandstand. Today's sporting menu is introduced by Steve Rider. Including at 12.35 Diving: The women's one metre springboard final in the European Championships from Ponds Forge, Sheffield. 1.05 Motor Cycling: The British Grand Prix from Donington. Three-times world champion Wayne Rainey and Texan Kevin Schwantz continue their rivalry in the 500cc race. 2.10 Diving. 2.30 Showjumping: Coverage of the individual final in the European Championships from Gijon, Spain. Stephen Hadley and Michael Tucker commentate. 4.15 Motor Cycling. 5.05 Synchronised Swimming: The duet competition from Sheffield's Ponds Forge. 5.40 Motor Cycling. Times may vary.
7.00 Rough Guide to the World's Islands Update. This repeat of the cult travelogue series. Magenta De Vine and Rajan Datar visit New Zealand, where they investigate Maori culture. They also explore sports-obsessed Auckland, tour Queenstown and visit earthquake-threatened Wellington.
7.50 The Prize. Tonight's programme examines the battle for oil supremacy after second world war, as companies and governments strove to gain best advantage from the power in their grasp.
8.45 Summer Dance. The Houston Ballet performs two pieces by British-born choreographer Christopher Bruce – Journey, a tribute to Danish ballet dancer Erik Bruhn, and Ghost Dances, a portrayal of Chile's political struggles set to the music of South America.
9.50 Moviedrome. Alex Cox introduces the first of tonight's cult films.
9.55 Film: Django. A stranger falls foul of Mexican troops when he intervenes in their war with the American army. Action-packed Italian Western, starring Franco Nero and Loredana Nusciak (1966).
11.30 Moviedrome. The second film of the evening is previewed.
11.35 Film: Grim Prairie Tales. Quartet of Western horror stories, including those of a cowboy buried alive by Indians, and a gunslinger haunted by one of his victims. Starring James Earl Jones, Brad Dourif, Marc McClure and Lisa Eichhorn (1990).
1.05 Close.

LWT

6.00 GMTV. 9.25 Heidi. 9.50 The Littlest Hobo. 10.15 The Mountain Bike Show. 10.45 Link. 11.00 Morning Worship. 12.00 Life and Soul. 12.30 pm Cobblestones, Cottages and Castles.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Cartoon Time.
1.30 An Invitation to Remember. British comedy star Brian Rix recalls his distinguished career.
2.00 Highway. Harry Secombe continues his visit to North Yorkshire.
2.35 Soccer: International Tournament. The final of the four-team competition from White Hart Lane between the winners of Ajax v Chelsea, and Lazio v Tottenham Hotspur.
4.45 Athletics. Live coverage from the Cologne Grand Prix, Germany, as Olympic 100m Champion Linford Christie competes against top American sprinter Andre Cason. Also taking part are Olympic 400m Champion Kevin Young, long jump gold medallist Mike Powell, on-form 110m hurdler Colin Jackson and high jumper Heike Henkel.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Father Dowling Investigates. Sherlock Holmes teams up with the devout detective.
7.30 Second Thoughts. Bill is in a state of shock after Faith announces she wants a baby. His problems multiply when ex-wife Liza begins an affair.
8.00 Agatha Christie: One, Two, Buckle My Shoe. Belgian detective Hercule Poirot sets out to extract vital information about the murder of a dentist. Whodunnit, starring David Suchet and Philip Jackson.
10.00 ITN News; Weather.
10.15 London Weather.
10.20 Over the Rainbow. Would-be music promoters Neil and Spence make their first attempts at managing Finn's group – will the duo hit the big time?
10.50 Kinnock: The Inside Story. The former Labour leader recounts key events from 1987 to 1990, and reveals he almost quit as leader of the Opposition during 1988.
11.40 Film: The Ryan White Story. Drama based on the true story of a teenage haemophiliac's fight to be allowed back to school after contracting Aids. Lukas Haas stars (TVM 1989).
1.25 Island Son.
2.20 Cue the Music.
3.20 Get Stuffed; ITN News Headlines.
3.25 Extreme Asia.
3.55 Get Stuffed; ITN News Headlines.
4.00 Night Heat.
5.00 Crusade in the Pacific.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 Owl TV. 10.45 Land of the Giants 11.45 Little House on the Prairie.

12.45 Film: Camelot. The Knights of the Round Table musical, starring Richard Harris, as King Arthur. (1967)
3.55 Orchestra! Dudley Moore and Sir Georg Solti look at the role of the piano.
4.25 The Christians. Bamber Gascoigne narrates the story of the Jesuits, who spearheaded the Counter Reformation. Shown previously on ITV.
5.25 News Summary.
5.30 Hypnosis. An interview with Monie Love, and a look at the influence of the gay club scene.
6.00 The Real World. The girls' dreams come true when they are offered a free trip to Jamaica.
6.30 The Cosby Show.
7.00 Sound Stuff: Antonin Dvorak. French musicologist Guy Ersemann presents the conclusion of the film portrait assessing the life and work of the Czech composer.
8.00 Opinions. The start of a week of programmes highlighting the conflict in Bosnia. In the first of two special editions of Opinions, Hungarian investor and speculator George Soros condemns Western governments for not intervening in the conflict.
8.30 Frontline. Journalist of the Year Maggie O'Kane charts Slobodan Milosevic's rise to power in Serbia.
9.00 Film: A Funny Thing Happened on the Way to the Forum. Bawdy farce based on the hit Broadway musical, starring Zero Mostel as a conniving slave trying to win his freedom in ancient Rome. With Phil Silvers, Michael Hordern, Jack Gilford and Michael Crawford (1966).
10.50 Out of Africa. Zeinab Badawi concludes the series of discussions on the future of Africa with a look at the economic crisis plaguing the continent.
11.55 Artists for Bosnia. Classic performances and appeals for financial help on behalf of the Bosnian refugees, beginning with Zoltan Solymosi and Sylvie Guillem in an extract from Manon.
12.10 Film: Homecoming. A sophisticated Chinese businesswoman is shocked to discover things have changed in her native village. Drama, starring Josephine Koo (1984).(English subtitles).
1.50 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 9.25 Fantastic Island. 10.05 Cartoon Time. 10.15 The Littlest Hobo. 12.30 Countrywide. 12.55 Anglia News. 1.10 WCW Worldwide Wrestling. 1.50 Cartoon. 6.00 Anglia News on Sunday 10.15 Anglia Weather. 11.40 The Twilight Zone.

CENTRAL: 9.25 Fantastic Island. 10.05 Cartoon Time. 10.15 The Littlest Hobo. 12.30 Central News Week. 12.55 Central News 1.10 Family Theatre. 2.35 Take 15. 2.50 Challenge of the Seas. 3.20 Life Goes On. 4.15 The $64,000 Question. 6.00 Cartoon Time. 6.15 Central News 6.30 Murder, She Wrote. 10.15 Local Weather.

GRAMPIAN: 9.25 Fantastic Island. 10.05 Cartoon Time. 10.15 The Littlest Hobo. 10.45 Cartoon Time. 11.00 Sunday Service. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 1.10 Laoidhean Is Salm. 1.40 Highway. 2.15 Beyond 2000. 3.15 The Wild South. 3.45 The $64,000 Question. 4.15 The Mountain Bike Show. 6.00 Grampian Headlines 6.05 Eikon. 6.30 Murder, She Wrote. 10.15 Grampian Weather. 11.40 Love at First Sight.

GRANADA: 9.25 Fantastic Island. 10.05 Cartoon Time. 10.15 The Littlest Hobo. 12.25 Young Up Front. 12.55 Granada News 1.10 The Wonderful World of Disney. 2.35 Granada Action. 3.05 Man About the House. (1974) 6.00 Cartoon Time. 6.15 Granada News 6.30 Coronation Street. 11.40 Love at First Sight.

HTV: 9.25 Good For Nothing: The Bravest Knight. 10.15 The Littlest Hobo. 12.25 HTV News. 12.30 HTV Newsweek. 1.10 The A-Team. 2.35 Meredith on Sunday. 3.10 Travelling Horses. 3.25 Superstars of Wresting. 4.15 The $64,000 Question. 6.00 Cartoon Time. 6.15 HTV News. 10.15 HTV Weather. 11.40 Love at First Sight.

MERIDIAN: 9.25 Fantastic Island. 10.05 Cartoon Time. 10.15 The Littlest Hobo. 12.30 The Turning Point. 12.50 Meridian News. 1.10 The Wonderful World of Disney. 2.35 Sands of the Desert. (1960) 4.15 Champions. 6.00 Cartoon. 6.15 Meridian News. 6.30 Murder, She Wrote.

SCOTTISH: 9.25 The Mountain Bike Show. 9.55 Highway to Heaven. 10.50 Wemyss Bay 902101. 11.30 Link. 11.45 Sunday Service. 12.30 Life and Soul. 12.55 Scotland Today. 1.10 Brand New Life. 2.35 Country Ways. 2.55 The Lost World. (1960) 6.00 Scotland Today. 6.05 Eikon. 11.40 The Twilight Zone.

TYNE TEES: 9.25 Pippi Longstocking. 12.25 The Littlest Hobo. 12.50 Tyne Tees Newsweek. 1.10 Castaway Cowboy. 6.00 Tyne Tees Weekend. 10.15 Local Weather.

WESTCOUNTRY: 9.25 Fantastic Island. 10.05 Cartoon Time. 10.15 The Littlest Hobo. 12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 1.10 Sky High. 2.35 My Story. 2.50 Life Goes On. 3.45 Champions. 4.15 The $64,000 Question. 6.00 Cartoon Time. 6.15 Westcountry Weekend Latest. 6.30 Murder, She Wrote. 11.40 Love at First Sight.

YORKSHIRE: 9.25 Pippi Longstocking. 12.25 The Littlest Hobo. 12.50 Calendar News. 1.10 Castaway Cowboy. 6.00 Calendar News and Weather 10.15 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Sybsla Barot. 8.05 Brian Matthew. 10.00 Chris Stuart. 12.00 Hayes on Saturday. 1.30 Jimmy's Cricket Team. 2.00 Summer Afternoon with Ed Stewart. 4.00 Ronnie Hilton. 5.00 Cinema 2. 5.30 Nick Barraclough. 6.00 Steve Race. 7.00 Kate and Friends. 7.30 Dancing Through the War. 8.30 Sekd Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Jon Briggs. 4.00 Sybsla Barot.

BBC RADIO 3
6.35 Open University: Sullivan and his Music. 6.55 Weather. 7.00 Saturday Morning Concert. Berlioz, Ravel, Rachmaninov, Ibert, Falla. 9.00 News. 9.05 Prom News. Charles Hazlewood looks ahead to the week's Promenade concerts. 10.30 Record Release. Brahms, Schumann, Barber, Prokofiev, Strauss. 12.00 Spirit of the Age. The depiction of music-making in the National Gallery's paintings. 1.00 News. 1.05 Cherubini Quartet. Mendelssohn, Janacek. 2.45 La Comtesse Ory. 5.00 Jazz Record Requests. 5.45 Opera News. 6.00 Bach and Britten. 7.25 Prom News. 7.30 Proms. Brahms and Schubert. 9.35 Studio Three: Testosterone I Sing. By Steve May. 10.25 Oscar Peterson Trio. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News. 6.10 The Farming Week. 6.50 Prayer for the Day. 7.00 Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 The Masterson Inheritance. 10.30 In Excess. 11.00 Talking Politics. 11.30 From Our Own Correspondent. 12.00 Inside Money. Personal finance issues. 12.25 They Think It's All Over. Sports quiz. 12.55 Weather 1.00 News. 1.10 Any Questions? From Barmouth, Gwynned. 2.00 Any Answers? 071 580 4444 2.30 Playhouse: Invitation to the Waltz. By Rosamond Lehmann. See also 7.50pm. 4.00 Age to Age. 4.30 Science Now. 5.00 Costing the Earth. 5.25 Bright Sparks. 6.00 News. 6.25 A Look Back at the Nineties. 6.50 The Locker Room. 7.20 Kaleidoscope. 7.50 Saturday Night Theatre: The Weather in the Streets. By Rosamond Lehmann. 9.20 Music in Mind. 9.50 Ten to Ten. 10.00 News. 10.15 Ninetysomething. A look at the early lives of some of Britain's oldest citizens. 10.45 Encounters. 11.00 The Tingle Factor. 11.30 The Young Postman. By Ben Miller. 12.00 News. 12.33 Shipping Forecast. 12.43 (FM) Close. 12.43 (LW) As World Service.

BBC RADIO 5
6.00 As World Service. 6.30 Weekend Edition. 9.30 Get Set. 10.30 The Adventures of Superman. 11.00 Go! 12.00 Sport on 4 Plus 1. 12.30 Sportscall. 1.30 Sport on Five. 6.05 Six-O-Six. 7.30 Afropop Worldwide. 8.30 Le Top. 9.30 Nightbeat. 10.00 Sports Bulletin. 10.15 The Way Out. 12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 News. 6.30 Europe Today. 7.00 News; News About Britain; The World Today. 7.30 Meridian. 8.00 Newsdesk. 8.30 People and Politics. 9.00 News; Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 Personal View. 10.45 Sports. 11.00 News; Jazz Now And Then; Letter From America. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News. 12.30 Meridian. 1.00 News; Words of Faith; Multitrack 3. 1.45 Sports. 2.00 Newshour. 3.00 News; Sportsworld. 4.00 News; BBC English. 4.30 Heute Aktuell; News in German. 5.00 News; Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell: News in German. 7.05 German Features. 8.00 Proms '93. 8.19 Prom Filler; News Summary. 8.25 From Our Own Correspondent. 8.45 From The Weeklies. 9.00 News; Words of Faith; Personal View. 9.30 Meridian. 10.00 Newshour. 11.00 News; News About Britain; Jazz For The Asking. 11.45 Sports. 12.00 News; Words of Faith; Book Choice; A Jolly Good Show. 1.00 Newsdesk. 1.30 The Ken Bruce Show. 2.00 News. 2.01 Play of the Week: Under Milk Wood. 3.00 Newsdesk. 3.30 The Odd Couple. 4.00 News; News About Britain. 4.15 Sports. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Tea at the Randolph. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Jon Briggs. 3.00 Alex Lester.

BBC RADIO 3
6.35 Open University: Witness to Change. 6.55 Weather. 7.00 Bach and His Sons. JS Bach, CPE Bach, WF Bach, JCF Bach. 9.00 News. 9.05 Brian Kay's Sunday Morning. Handel, Prokofiev, Faure, German, Weelkes, Saint-Saens trans Liszt, Palmgren, Susato, Rossini, Elgar, Strauss, Satie, Britten, Satie, Debussy. 12.00 Vintage Years. 1.00 News. 1.05 Poetry in Action. 1.20 Czech Philharmonic Orchestra. 2.45 Samuel Barber. 3.15 The Classical Piano. Schubert and Beethoven. 4.45 BBC Symphony Orchestra. Steven Stucky, Joseph Schwantner, Colin McPhee. 6.00 Delme Quartet. Haydn and Malcolm Lipkin. 7.00 BBC Proms. Handel. 10.00 Sunday Play. King Oedipus. 11.30 Peter Hill. Judith Weir, Debussy, George Benjamin, Messiaen. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News. 6.10 Prelude. 6.30 Morning Has Broken. 7.00 News. 7.10 Sunday Papers. 7.15 On Your Farm. Agricultural features and bulletins. 7.40 Sunday. Religious news and views. 8.50 John Prescott MP. On behalf of the Queen Victoria Seamen's Rest. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America. 9.30 Morning Service. 10.15 The Archers. Omnibus. 11.15 News Stand. 11.30 Pick of the Week. 12.15 In the Psychiatrist's Chair. 1.00 The World This Weekend. 2.00 Gardeners' Question Time. 2.30 Classic Serial: Alexander. 3.30 The Radio Programme. 4.00 Ages Past. 4.47 Siesta Days, Fiesta Nights. 5.00 Leslie Thomas in a Novel Setting. 5.30 Poetry Please! 6.00 Six O'Clock News. 6.15 Letter from Turkmenistan. 6.30 Europhile. 7.00 The Hidden Spirit. Early spiritual experiences. 7.30 A Good Read. 8.00 Punters. 8.30 Laughing Aloud: Meditations on Basic Baroque. Kenneth Tynan's history of the female bottom. 9.00 The Natural History Programme. 9.30 Special Assignment. 10.00 News. 10.15 Memoirs of Sherlock Holmes. 11.00 In Committee. 11.30 Before the Ending of the Day. 12.00 News. 12.33 Shipping Forecast. 12.43 (FM) Close. 12.43 (LW) As World Service.

BBC RADIO 5
6.00 World Service. 6.30 Weekend Edition. 9.30 Whoppers. 10.00 Johnnie Walker. 12.10 Learn to Earn. 12.40 Open Forum. 1.00 Sunday Sport. 7.20 Open University. 10.10 Across the Line. 12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 Newshour. 7.00 News; News About Britain; Letter From America. 7.30 Jazz For The Asking. 8.00 Newsdesk. 8.30 From Our Own Correspondent; Write On. 9.00 News; Words of Faith; Ray On Record. 10.00 News; Business Review. 10.15 Seeing Stars. 10.30 Folk Routes. 10.45 Sports. 11.00 News; Science In Action. 11.30 BBC English. 11.45 News and Press Review In German. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News; Play of the Week: Under Milk Wood. 2.00 Newshour. 3.00 News; The Pope's Divisions. 3.30 Anything Goes. 4.00 News; BBC English. 4.30 News and Features In German. 5.00 News; News About Britain; The Odd Couple. 5.45 Letter From America. 6.00 BBC English. 6.30 News And Features In German. 8.00 In Good Voice. 8.30 Europe Today. 9.00 News; Words of Faith; Folk Routes. 9.30 Brain of Britain. 10.00 Newshour. 11.00 News; News About Britain; Seeing Stars. 11.30 Letter From America. 11.45 Sports. 12.00 News; Business Review; Ray On Record. 1.00 Newsdesk. 1.30 In Praise Of God. 2.00 News; The Record Producers. 2.45 Arabian Sounds. 3.00 Newsdesk. 3.30 Composer Of The Month: Felix Mendelssohn. 4.00 News; News About Britain. 4.15 Sports. 4.30 BBC English. 4.45 News And Press Review in German.

CHESS

BRITAIN'S Michael Adams is poised to qualify as a Fide world title candidate this weekend after a run of five successive wins at the Biel inter-zonal.

Adams, 21, became the main western-born hope against a flock of former Soviets when he defeated world No 4 Vladimir Kramnik.

Steinitz, the first world champion, once recommended as a winning recipe: "Stall, stall, and stall some more. Your opponent is sure to get an idea. It will be bad, and you will win."

Following this advice, Adams set up a solid position as Black, shuffled his pieces on the back rows and waited until Kramnik impatiently launched his king's side pawns in a kamikaze attack. Then Adams exchanged pieces, infiltrated his queen into the gaps caused by Kramnik's advance, and gobbled up White's pawns.

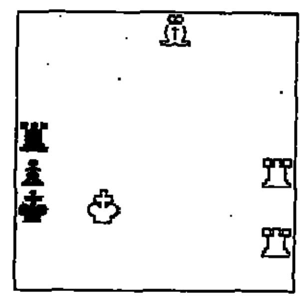
Earlier, Adams's counter-attacking skills achieved the rare feat of queening a pawn in the middle game (D Gurevich, White; M Adams, Black; Catalan Opening; Biel 1993).

1 d4 Nf6 2 c4 e6 3 g3 d5 4 Bg2 dxc4 5 Nf3 5 Qa4+ and **6 Qxc4** is simplest. **Nc6 6 0-0? Rb8! 7 Bg5 Be7 8 e3 0-0 9 Nfd2 e5! 10 Bxf6 Bxf6 11 d5 e4!** So that if **12 dxc6 Bxb2** wins material.

12 Nxc4 b5! 13 Nc3 bxc4 14 dxc6 Rxb2 15 Qc1 Rb8 16 Bxe4 Qe7 17 Bg2 Qe5! White has to improvise to avoid material loss, and Black's c4 pawn is already installed as the match winner.

18 Rb1 Rxb1 19 Nxb1 Be6 20 Nd2 c3 21 Ne4 Bf5 22 f4 Qa5 23 Rd1 Rb8 24 h4 Qa4! 25 Nc5 Qxd1+ The logical tactic created by his earlier play. **26 Qxd1 c2 27 Qd2 Rb1+ 29 Resigns**

No 985



White mates in three moves, against any defence (by N Mironenko). This looks easy, but two masters took over 30 minutes.

Leonard Barden
Solution Page XVIII

BRIDGE

CHARLIE WAS a member of my club. His bidding and card play were not good, but they were as nothing compared to his remarks, which betrayed a total ignorance of what was going on. The hand comes from rubber bridge:

	N	
	♠ A 10 8	
	♥ 10 7 2	
	♦ A K 9 7	
	♣ K 9 8	
W		E
♠ 7 6 4		♠ 5 2
♥ A K		♥ Q 9 8 5 3
♦ Q 8 3		♦ J 10 6 2
♣ A Q J 10 6		♣ 4 2
	S	
	♠ K Q J 9 3	
	♥ J 6 4	
	♦ 5 4	
	♣ 7 5 3	

Both sides were vulnerable, but North-South had a part-score of 40 when West opened with one club. North doubled, East said one heart, South said one spade. West re-bid three clubs, and North's three spades ended the auction.

South and East were internationals, West was Charlie. He cashed ace and king of hearts, switched to ace of clubs and continued with the queen. Winning with dummy's king, declarer proceeded to play with great skill. Complete elimination was impossible because he could not draw three rounds of trumps, so he planned partial elimination against East.

Cashing the top diamonds, he ruffed a diamond with his spade nine, crossed to the eight of spades, ruffed another diamond and crossed to the spade ace. The scene was set for partial elimination. The heart 10 was led, but East brilliantly played low, escaping the endplay and forcing his partner to ruff and defeat the contract with his club knave.

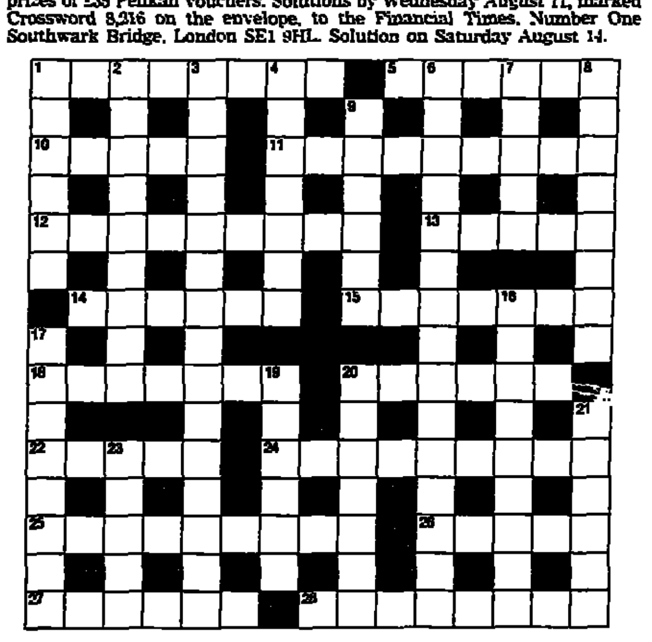
Charlie caught sight of his partner's heart queen on the table and asked, in a hurt voice, why he did not win the trick with it and save West's trump. And answer came there none.

E.P.C. Cotter

CROSSWORD

No. 8,216 Set by DINMUTZ

A prize of a classic Pelikan Souveran 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday August 11, marked Crossword 8,216 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 14.



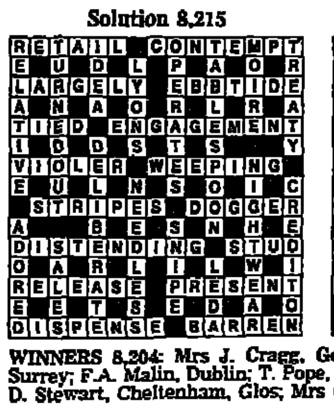
ACROSS
1 A clot rubs moth clumsily (8)
5 A violinist moving away from the bow? (6)
10 Marshy tract in cove where French appear (5)
11 Vehicle powered by a generator sometimes? (4-5)
12 Sort of roll (A-E etc) (9)
13 Mother-in-law I complain about (5)
14 Steps to compose street-songs (6)
15 Some races of men said to be wild (7)
18 Wind decline may affect this method of supplying food (3-4)
20 Firm leading feature of domestic fowl (6)
22 Bar times? (5)
24 Fellow-players met at same resort (4-5)
25 Burst of temper in sack factory (9)
26 Principal at an advantage (5)
27 Extra stump close to point? (3,3)
28 Condition affecting a number of policemen? Ring sister in the first place (8)

DOWN
1 Doctor may give it for battle upset (6)
2 Try Hermes out as a poetaster! (9)
3 But it does not run only at peak hour (8,7)
4 Court judges in superior positions (7)
6 CO_2 (6-2-7)
7 It takes time to become a muse (5)
8 These bloomers of Iris's can be exchanged (8)
9 Ho spital for some uneasy lumbar parts? (6)
16 Peter and John, say, stir in sleep - turning (9)
17 Prodigal lived by flute-playing (8)
19 This self-hoisting device is mine! (6)
20 Enduring in Derby, for example (7)
21 Actors' deliveries to wings, as in mid-March? (6)
23 Doctor to tease Scottish girl (5)

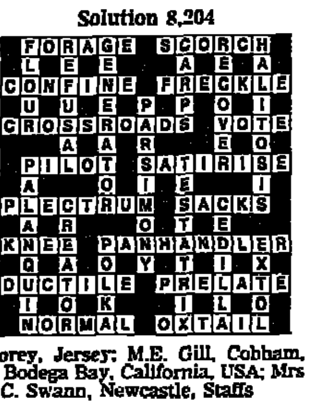
Name...

Address...

Solution 8,215



Solution 8,204



WINNERS 8,204: Mrs J. Cragg, Gorey, Jersey; M.E. Gill, Cobham, Surrey; F.A. Malin, Dublin; T. Pope, Bodega Bay, California, USA; Mrs D. Stewart, Cheltenham, Glos; Mrs C. Swann, Newcastle, Staffs

Private View/**Christian Tyler**

Still watching with mother

***Lady Elspeth Howe**, chairman of the Broadcasting Standards Council, talks about sex and violence on television*

VIOLENCE is a problem. How much it is a problem of the real world and how much a problem of exaggerated media attention our rulers find difficult to decide.

But the British public is said to be worried by violence on television. Five years ago Margaret Thatcher's government created a quango called the Broadcasting Standards Council to prove it was doing something about it – "it" being the depiction of violence not only in the sense of mutilation, injury or rape but also gladiatorial sex and swearing.

The appointment of William Rees-Mogg, former editor of *The Times* (now the Don Quixote of Maastricht), as its first chairman was greeted with the sort of derision that accompanied Lord Longford's inspection of strip clubs 20 years ago. The council was seen as the consummation of the Nanny State.

Last month the poisoned chalice of its chairmanship passed to Elspeth Howe, the 61-year-old wife of the former Tory chancellor and foreign secretary whose resignation speech was the proximate cause of Mrs Thatcher's downfall.

Lady Howe may have a nannyish air. But in right-wing Conservative demonoloy she is portrayed as something far uglier. According to Sir Nicholas Fairbairn, the rent-a-quote MP, her haircut is the give-away. She is, he once said, the "typical intellectual", the type who would have espoused Communism in the the 1930s, the Lady Macbeth who handed the knife to her irresolute thane of a husband, Geoffrey.

Not quite. Elspeth Howe may have enjoyed playing billiards and sitting up with the gentlemen over port and cigars at the foreign secretary's country house but she is not the self-confident, ambitious schemer her detractors suppose.

Nor is she an intellectual. She was a secretary who became a dutiful Tory wife and sat on women's committees, became a juvenile court magistrate and sat on many more committees. At the age of 53 she took a degree in social administration at the London School of Economics. She is an energetic, amateur member of that club known as the Great and Good: she is not very fluent when she talks, but is sincere, approachable, feminine, occasionally even coquettish.

No, Lady Howe's real crime is that she is a feminist. She was deputy chairman of that socialist cabal known as the Equal Opportunities Commission and her reputations has followed her into the new job.

It is not, one might think, the function of a Broadcasting Standards Council to push the cause of women. Or is it? Having answered, rather imprecisely, some questions about the link between television and street violence, Lady Howe went on to say that women as viewers and listeners were badly served because there were too few women in top broadcasting jobs.

Even if that were true, I asked, was it any business of the council's?

"We come back to what's shown on television" she replied. "If there is too much violence – I'm not saying every woman programme maker would say 'we've had enough of violence' – I think it is relevant that if we have more women coming up we will have much more of a balance."

Men like to show violence and women by and large do not?

"You put that into my mouth. It isn't what I'm saying. All my life I've tried to get women and men working together on every level. The women's groups would feel comfortable if there were more of their own sex."

You think women should be promoted because they are women?

"Never! No, no, of course I don't. You know that. I don't think women should be promoted other than on their ability. I have never been in favour of what in America is called positive discrimination – but positive *action*, to see they get to the right places where they can be promoted. That includes giving a lot of attention to flexibility of working arrangements and to the attitudes of both men and women. I'm not saying that's going to solve all the problems of what people want to see on television."

The council is revising its code of practice which broadcasters are required by law to reflect in their own guidelines. Among the additions is a paragraph on "political correctness". The Council, it says, "respects the underlying arguments" and suggests broadcasters should avoid words which may confirm a stereotype, unless that leads to clumsy circumlocution.

I asked Lady Howe if this would make the council a hostage to various PC lobbies.

"There are certain words we or our children may have used, like 'spastic', as a not very complimentary comment. Now it's not acceptable because those who are spastic find it deeply offensive. For broadcasters to be aware of that I would have thought is common sense, common courtesy. On any view of it, 'political correctness' changes over time."

Surely, I said, it's the job of people who make programmes to be aware of these things. Do they need you to tell them?

"Ah, well I would hope that self-regulation, self-discipline is the major part of all this. That's absolutely as it should be."

So you are a finger-wagging body?

"No, I don't think we are."

You are admonitory?

"We are advisory."

Mocked though it may have been, the council's code is a well-written document with which sensible people would find it hard to disagree. The trouble seems to be not so much what the council says, but what it is. Powerless to help the customer or frighten the producer, it is reduced to the status of political lightning-conductor.

The council has little bite beyond requiring its findings to be published and, occasionally, broadcast. It adjudicates on complaints from the public under three headings: violence, sex and taste-and-decency. (There is a separate Broadcasting Complaints Commission to deal with matters such as invasion of privacy. The two bodies may be merged.)

Ashley Ashwood

The number of complaints about violence received by the council more than trebled last year, to 230. Yet this was less than the figure for complaints about sex (273) and far less than that for taste and decency (587). The figures bely the perception that violence on television is a big public preoccupation.

Statistics are not the council's only ammunition. Its members travel round the country talking to various groups, and research is commissioned on topics such as the portrayal of women, of ethnic minorities and of the mentally ill, violence on the news, or children's viewing habits.

Lady Howe claimed the council had become a credible body. "I want to stress – because I do believe it – that if it was maybe regarded with suspicion both by broadcasters and some politicians without doubt it has established itself, certainly with a number of broadcasters, and they do take its findings seriously.

"I think it is interesting that in quite a number of cases where we have made findings the programme makers have acknowledged they have gone too far. That may be a justification for having a body outside to nudge." Her job, she said, was to persuade.

Lady Howe is careful. Her replies were qualified to the point of blandness. Perhaps it is because she is new to the job.

Do children watch too much television?

"I don't think it's a question of watching too much or too little. It's what they watch."

Do you see television as a cultural scourge?

"No, no. Quite the opposite. I am a tremendous enthusiast. The wildlife programmes . . . I know everyone says this is boring, but if those had been around when I was young I would have been interested . . . I think it can have a wonderful influence, broaden minds . . . things people have never seen before, wonderful drama, *'Yes, Minister'*, news, documentaries . . ."

Were standards falling as a result of Thatcher's Broadcasting Act?

"There is a concern about competitiveness and so on. No doubt all of that is an influence. But within whatever context, it is very, very important that one regards it as a wonderful opportunity. But it can be dangerous too."

Do you enjoy watching sex on television? Do you find it boring?

"Up to a point. Yes I do, after a while, find it boring if it goes on and on and on. It depends if it is relevant."

Context, she said, was what mattered. And who will disagree with her? Lady Howe may not be the sharpest exponent of her mission but she probably expresses the sentiments of many people. She represents the values of an older generation – which is not to say they are outdated – not the easy moral certitudes of the New Right.

There is, she said, a convention of parliamentary *politesse*. "I don't really see why on radio or television, before a certain hour, we should have bad language. Language should be appropriate to who you are with." She might have added that there are still places in Britain where it is considered gross rudeness for men to swear in the company of women.

Perhaps the majority of us feel threatened and frightened by television's relentless reflection of the ugly side of our humanity. But are broadcasters merely holding a mirror up to Nature? Or are they cynically resorting to shock tactics to win the widening war for ratings?

If the former, there is not much more that Elspeth Howe and her councillors can do but grieve. If the latter, they may bark a little – politely, of course.

As They Say in Europe/**James Morgan**

Continent applauds Major's great victory

SORRY about this, but I have to report that the last stages of the parliamentary progress of the bill designed to secure British adhesion to a Treaty on European Union aroused so much interest on the continent that I feel the need to return to it.

Last Saturday, some seemed to miss the point. The *Neue Zürcher Zeitung's* headline ran: "Major's victory in lower house: Approval for ratifying the Maastricht Treaty." That made me feel a bit like a citizen of Stalingrad crawling from the rubble some 50 winters ago, picking up a copy of *Pravda* and reading the headline: "Red Army wins battle for city." True enough, but . . . .

Coincidentally, inside, *à propos* nothing, was an interview with the paper's London economic correspondent from 1926 to 1974, Hans Egli, who still lives in London. It was decked out with a picture of Spitfires of the kind that anti-Maastricht campaigners made so much use of in their campaign to maintain the full independence of those wonderful institutions that have brought Britain to the enviable position it enjoys today.

The denouement of the Maastricht drama in parliament attracted more coverage of a British story than anything since the last election, more even than the equally unappetising events that have struck the House of Windsor.

But the arguments that were deployed in the course of the various debates that led to John Major's threat to call an election occasioned no interest whatsoever. The "Eurosceptics", especially Lady Thatcher and Lord Tebbit, appeared frequently but their opinions did not.

Of the papers I saw only the humble *Mannheimer-Morgen* referred to the British debate over the Social Chapter, or whatever it is now called. The paper dismissed the arguments curtly: "An EC-internal market without a social charter would be a market economy without a social safety net."

The trouble is that the views of the British, particularly of those opposed to the treaty, are not handled seriously. British hostility to most aspects of the Community is viewed elsewhere in the EC as axiomatic – the Brits always say "No."

One French commentator noted that in both Britain and France there was a respectable patriotic reflex vis-a-vis Maastricht. But in the case of the British there was, "for this concrete and pragmatic people, a sort of genetic inability to imagine the abstract, the intangible, to associate with a project that originated elsewhere, one that was unprecedented, without reference to history . . ."

The prevalence of this attitude is damaging, for it is impossible for scepticism about many elements of the Maastricht Treaty to be taken seriously so long as that scepticism is couched in terms that reflect British attitudes.

There is a widespread view in Denmark that the "Yes" majority in the second referendum there was assured by the "Eurosceptical" British politicians who were imported to help the "No" campaign.

So the anti-Maastricht campaign in Britain, most notably in last Saturday's *Frankfurter Allgemeine Zeitung*, was portrayed as the creature of those whose political careers had come to an end. The Tory rebels will not worry about that because they care little for European opinion and had no interest in winning a wider public to a position of non-nationalistic scepticism about what is termed the European process.

Mainstream French anti-Maastricht campaigners, who performed so well in the face of a huge government-backed referendum campaign last year, made no such mistake. They inserted advertisements in the newspapers of other countries stating that their position on the treaty did not reflect any hostility towards their friends and neighbours. They also had the ability to make themselves understood in other languages.

But British Eurosceptics appear as rancorous repositories of an embittered nationalism.

One reason is what happens when one translates their statements into other languages. The familiar "1,000-years-of-history" rhetoric sounds mad or menacing in Spanish or German, and is therefore disqualified from serious consideration.

The other problem is the easy British assumption that the British possess a higher kind of patriotism, that the sense of nationhood of other lands is somehow diminished or of a lesser nature.

Yet all over Europe there are people who eschew a policy of nationalist rejection yet feel uncomfortable in face of the perceived implications of the treaty, especially in the light of this week's events. The British possess the most vocal group prepared to articulate their concerns: it is the manner in which those concerns are articulated that discredits the case.

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Summer Rites/**Nigel Spivey**

A Midsummer Night's tempest

IT IS A commonplace of anthropology that symbolic activity, among primitive peoples, is practised as a means of realising deeply-nursed desires. There are no isobar charts in the jungle, but the savage believes that if he can perform a really contagious mime of rain falling from the skies, rain will fall.

The civilised British likewise cherish the rain. It makes their grass green and their marrows plump. But when they call up the rain god, it is a much more oblique process. Rather than dance mimetic damp dances, or make loud gargling noises beneath a full moon, they seek to seduce the elements by challenging them.

So they print invitations for Pimms and picnics and barbecues in mercurial June. They lug hampers to Glyndebourne. They commission the colossi of opera to bellow to thousands in Hyde Park. And, most impudently, most efficaciously of all, they stage Shakespeare alfresco.

The bard, arguably, begged for it. To title a play *A Midsummer Night's Dream* invites every rain dancer in the land to try his luck. Not just in Regent's Park, but in little natural amphitheatres from Dover to Dunsinane. Wherever leafy backdrops make scenery redundant, there Puck and Oberon will plot their elvish mischief, their mischief being: to have us all drenched before the evening is out.

But we, the audience, are made of sterner stuff. No matter that we are required to perch on the sort of slatted seat designed to corrugate all human posteriors. We are well-prepared for drama's pastoral mode. Against the icy fangs of a mid-July night, we have brought our tartan rugs, our woollies and our nips of whisky.

Someone will kindly light a pipe or cigar, to keep the gnats at bay. And the first downpour only steels our resolve to see it all through. What we like to call the Dunkirk spirit flows generously. Huddled under nature's inadequate awnings, we buck each other up.

"Only a sprinkle," we say cheerfully. "Won't last long." And some insightful person will inevitably voice the true anthropological purpose of all this: "Just what the lawn needed!"

The drama resumes. The rain has not dispersed us, but brought us into a closer, more comradely union. Those with fold-away plastic macs are a natural élite; those without improvise quite extraordinary prophylactics from Sainsbury's carrier bags. But we are equally determined to beguile the moist night with the advertised programme of entertainment. Our money's worth will be had, if it leads to pneumonia.

We may have suspected that Bottom's asinine mask was made from old cornflake packets; now we know that it is. Wall wears his costume like a sandwich board; being absorbent, and easily streaked, this Wall has been thoroughly punished by the lord of rain. The lion roars soggily, and there is unwonted laughter when the King of Athens takes a tumble on the sodden boards.

But one has to feel sorry for Titania's entourage – a dozen shivering six-year olds, drummed up from the local ballet school. Given no more than a few scraps of chiffon to cover their goose-pimpled flesh, they can only survive this initiation by scampering round like frenzied sprites. It must be very character-building for them.

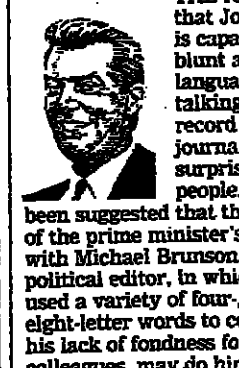
These fresh-air Thespians are exemplary. To strut a part in doublet and hose is demanding enough. To strut a part in soaked doublet and hose is pure heroism. As mortals and fairies unite to take the applause, mingled with thunderclaps, beneath the dripping greenwood tree, it is worth remembering the justification of these heroics.

This is not the triumph of hope over experience. It fulfills a social function: it keeps the reservoirs full.

So far as I know, Shakespeare never actually demanded of his players that they performed out of doors. But he must have had an inkling. The rain it raineth every day, he sings. And a hey, ho, hey nonny no, we bravely reply.

A few blunt words

Michael Thompson-Noel



THE revelation that John Major is capable of candid, blunt and salty language when talking off-the-record to friendly journalists has surprised some people. It has even been suggested that the recording of the prime minister's conversation with Michael Brunson, ITN's political editor, in which Major used a variety of four-, six- and eight-letter words to communicate his lack of fondness for certain colleagues, may do him good. With luck, it is reckoned, Major's image as a leaden-tongued wimp may undergo correction.

What piffle. Major is a gonner, especially after this week's revolt of the wooden-tops in the Christchurch by-election, where a Conservative majority of 23,015 at last year's general election was converted into a 16,427 majority for the Liberal Democrats. Fifteen months too late, the voters of Christchurch rounded on the Tories with a malignant and squeaky fury.

In reality, all politicians, not just Major, are far more candid and salty when chatting in private than when speaking in public. In public, they have to be careful of what they say, so their utterances achieve a horrible mattness. But in private they relax. Their syntax disappears. Their words become nonsensical. They swear and joke and shout. It really is a spectacle.

To show you what I mean, I spoke yesterday to John Major and John Smith. Smith, a Scot, is leader of the Labour Party, though not many people know that. In the aftermath of Christchurch, where Labour lost its deposit, I wanted to provoke the two Johns into a spot of real soul-searching.

To guarantee them privacy, I used a signal-scrambler. No one could have eavesdropped. Their

HAWKS & HANDSAWS

responses were true to form. But I have left out the swear-words because the new *Financial Times Style Guide* states that "the gratuitous use of expletives or obscenities is discouraged . . . Four-letter expletives will usually be confined to infrequent use in the review [Arts] pages." I can live with that, though why the artsy-fartsies should receive any dispensation is a puzzle.

First, I tackled Major. I said: "Did you read, John, what Olivier Blanchard, Rudiger Dornbusch, Stanley Fischer, Franco Modigliani, Paul A Samuelson and Robert Solow wrote, in just one article, in the *FT* this week? They were describing Europe's lunatic monetary policies and exchange rate arrangements. They did not pull their punches. I bet you went chalk-white.

"So why not walk the plank, John? You are the most unpopular prime minister since the start of the fourth century. Why invite more punishment? Unfairly or not, you are drawing the blame for all life's unpleasantnesses, let alone the cock-ups."

"Are you sure?" the prime minister replied. "I mean . . . how did it come about, Michael . . . like, Christchurch, y'know – load of . . . let me put it to you – the economy, of course . . . I mean, wimpy guy like me. But I'm not giving in like that, like . . ."

On and on it went. Then I rang John Smith. I told him I had been impressed with his interview with Andrew Marr in *The Independent* on Thursday, in which he sharpened up his promise to introduce meaty political reforms (if he ever gets elected), including a referendum on proportional representation.

I said: "You are starting to raise your game, John. Many people will have agreed with your assertion that democracy in Britain is decaying, and that the Tories must be roasted for their arrogance, incompetence, complacency and sharp practices – especially their 'centralisation of power and the elimination of opposition'. But some of your critics still accuse *you*, John, of laziness and ineffectualness. What do you say to that?"

"Away; ye thowless jad," shouted the Labour leader. "Gie me o'wit an' sense a life, behint a kist to lie an' sklent. Our Stibble-rig was Rab M'Graen, a clever, sturdy fellow, but then he was sae fley'd by his showther gae a keek, an' tumbl'd wi' a wintle. Likewise with political and constitutional reform, Michael, for by the L—d, tho' I should beg wi'lyart pow, I'll laugh, an' sing, an' shake my leg, as lang's I dow!"

After that, I thought of telephoning Wing-Commander Paddy Ashdown, leader of the Liberal Democrats, to solicit *his* views on Christchurch. But I couldn't raise the energy.